

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 3

AMENDED REPORT ☐
(highlight changes)

APPLICATION FOR PERMIT TO DRILL		5. MINERAL LEASE NO: Fee	6. SURFACE: Fee
1A. TYPE OF WORK: DRILL <input checked="" type="checkbox"/> REENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/>		7. IF INDIAN, ALLOTTEE OR TRIBE NAME:	
B. TYPE OF WELL: OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> OTHER _____ SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input checked="" type="checkbox"/>		8. UNIT or CA AGREEMENT NAME:	
2. NAME OF OPERATOR: Slate River Resources, LLC		9. WELL NAME and NUMBER: Mustang 1220-27K	
3. ADDRESS OF OPERATOR: 418 E. Main ST Vernal UT 84078		PHONE NUMBER: (435) 781-1871	10. FIELD AND POOL, OR WILDCAT: Agency Draw Wildcat
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 2,062' FSL & 1,885' FWL AT PROPOSED PRODUCING ZONE: Same as above		11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NESW 27 12S 20E	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: 76.3 miles south of Vernal, UT		12. COUNTY: Uintah	13. STATE: UTAH
15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) 1,885'	16. NUMBER OF ACRES IN LEASE 19,199.80	17. NUMBER OF ACRES ASSIGNED TO THIS WELL: 40	
18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET) 2,200'	19. PROPOSED DEPTH: 8,886	20. BOND DESCRIPTION: B-001556	
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 5,898' GR	22. APPROXIMATE DATE WORK WILL START: 6/1/2006	23. ESTIMATED DURATION: 30 Days	

24. PROPOSED CASING AND CEMENTING PROGRAM							
SIZE OF HOLE	CASING SIZE, GRADE, AND WEIGHT PER FOOT			SETTING DEPTH	CEMENT TYPE, QUANTITY, YIELD, AND SLURRY WEIGHT		
12 1/4	9 5/8	H-40	32.2#	2,000	Cement "V"	200 sks	3.82cuft/sk 11.0 PPG
					Class "G"	100 sks	1.15cuft/sk 15.8 PPG
7 7/8	4 1/2	M-80	11.6#		Premium 100%	350 sks	3.82cuft/sk 11.0 PPG
				8,886	Class "G"	1000 sks	1.25cuft/sk 14.2 PPG

25. ATTACHMENTS

VERIFY THE FOLLOWING ARE ATTACHED IN ACCORDANCE WITH THE UTAH OIL AND GAS CONSERVATION GENERAL RULES:

<input checked="" type="checkbox"/> WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER	<input checked="" type="checkbox"/> COMPLETE DRILLING PLAN
<input checked="" type="checkbox"/> EVIDENCE OF DIVISION OF WATER RIGHTS APPROVAL FOR USE OF WATER	<input checked="" type="checkbox"/> FORM 5, IF OPERATOR IS PERSON OR COMPANY OTHER THAN THE LEASE OWNER

NAME (PLEASE PRINT) Ginger Stringham TITLE Agent

SIGNATURE *Ginger Stringham* DATE 3/31/2006

(This space for State use only)

API NUMBER ASSIGNED: 43-041-37977

Approved by the
Utah Division of
Oil, Gas and Mining

APPROVAL:

Date: 05-04-06

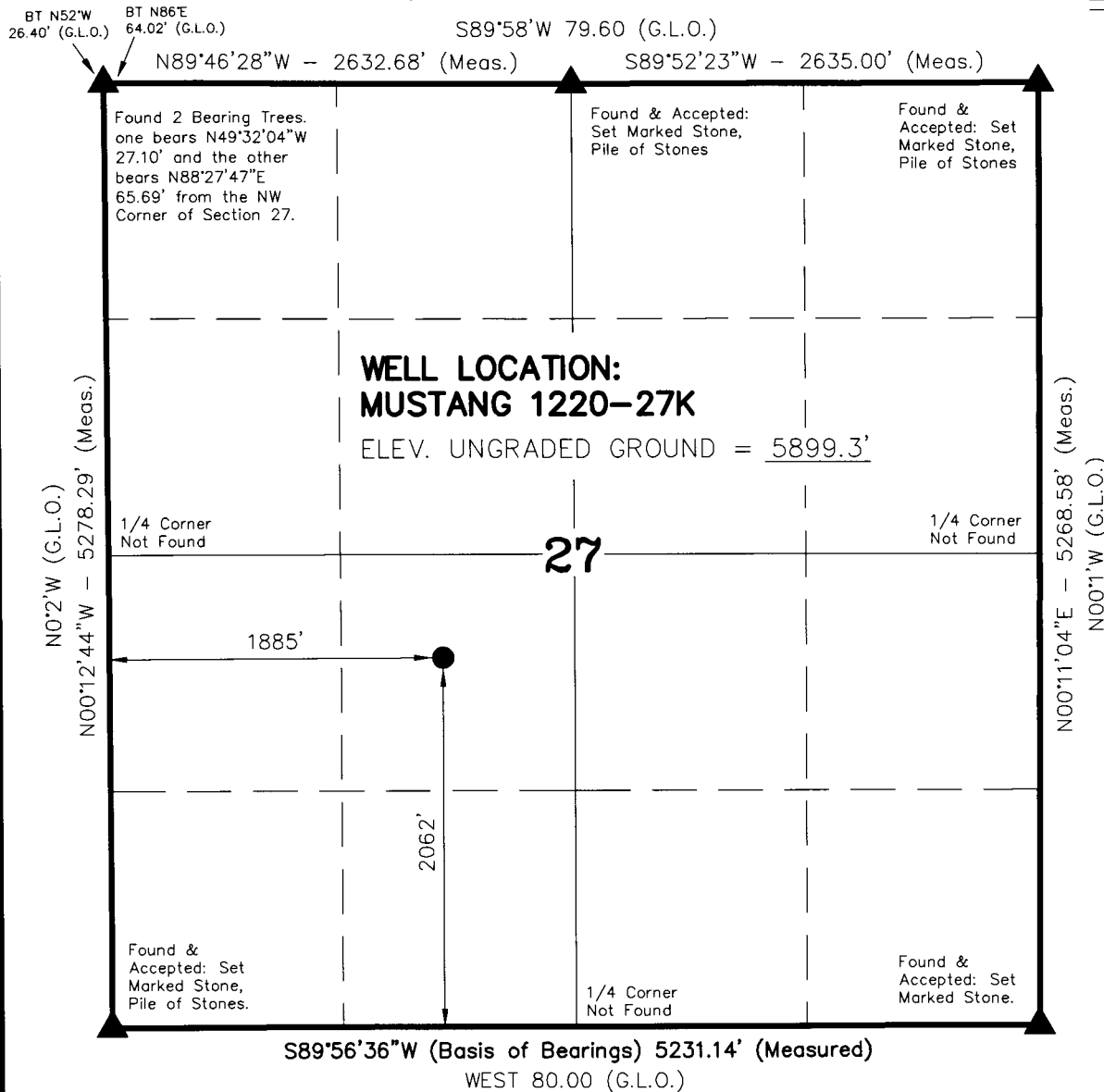
By: *[Signature]*

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APR 04 2006

DIV. OF OIL, GAS & MINING

T12S, R20E, S.L.B.&M.

SLATE RIVER RESOURCES, LLC



WELL LOCATION, MUSTANG 1220-27K,
LOCATED AS SHOWN IN THE NE 1/4
SW 1/4 OF SECTION 27, T12S, R20E,
S.L.B.&M. UTAH COUNTY, UTAH.

NOTES:

1. Well footages are measured at right angles to the Section Lines.
2. Bearings are based on Global Positioning Satellite observations.

THIS IS TO CERTIFY THAT THE ABOVE PLAT WAS
PREPARED FROM FIELD NOTES OF LAND SURVEYS
MADE BY ME OR UNDER MY SUPERVISION AND THAT
THE SAME ARE TRUE AND CORRECT TO THE BEST OF
MY KNOWLEDGE AND BELIEF.

KOLBY R. KAY
No. 362251
REGISTERED LAND SURVEYOR
STATE OF UTAH

TIMBERLINE LAND SURVEYING, INC.
38 WEST 100 NORTH. - VERNAL, UTAH 84078
(435) 789-1365

DATE SURVEYED: 03-23-06	SURVEYED BY: K.R.K.	SHEET 2 OF 10
DATE DRAWN: 03-28-06	DRAWN BY: M.W.W.	
SCALE: 1" = 1000'	Date Last Revised:	

MUSTANG 1220-27K
(Proposed Well Head)
NAD 83 Autonomous
LATITUDE = 39° 44' 34.7"
LONGITUDE = 109° 40' 03.9"

▲ = SECTION CORNERS LOCATED
BASIS OF ELEVATION IS BENCH MARK 66 WF 1952
LOCATED IN THE NE 1/4 OF SECTION 6, T13S, R21E,
S.L.B.&M. THE ELEVATION OF THIS BENCH MARK IS
MARKED ON THE AGENCY DRAW NE 7.5 MIN.
QUADRANGLE AS BEING 5812'.

DESIGNATION OF AGENT OR OPERATOR

The undersigned is, on record, the holder of oil and gas lease

LEASE NAME: Fee Leases, see attached

LEASE NUMBER: Fee, no numbers assigned

and hereby designates

NAME: Ginger Stringham, Paradigm Consulting Inc.

ADDRESS: PO Box 790203

city Vernal state UT zip 84078

as his (check one) agent ☒ / operator ☐, with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the Division Director or Authorized Agent may serve written or oral instructions in securing compliance with the Oil and Gas Conservation General Rules and Procedural Rules of the Board of Oil, Gas and Mining of the State of Utah with respect to:

(Describe acreage to which this designation is applicable. Identify each oil and gas well by API number and name. Attach additional pages as needed.)

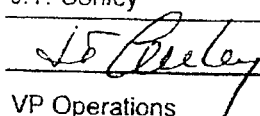
Fee leases, see attached

It is understood that this designation of agent/operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Oil and Gas Conservation General Rules and Procedural Rules of the Board of Oil, Gas and Mining of the State of Utah. It is also understood that this designation of agent or operator does not constitute an assignment of any interest in the lease.

In case of default on the part of the designated agent/operator, the lessee will make full and prompt compliance with all rules, lease terms or orders of the Board of Oil, Gas and Mining of the State of Utah or its authorized representative.

The lessee agrees to promptly notify the Division Director or Authorized Agent of any change in this designation.

Effective Date of Designation: 03/01/2005

BY: (Name) J.T. Conley
(Signature) 
(Title) VP Operations
(Phone) (435) 781-1871

OF: (Company) Slate River Resources, LLC
(Address) 418 East Main
city Vernal
state UT zip 84078

UT10001.000

Eagle Minerals Ltd. Oil and Gas Lease

Dated February 1, 2005

Recorded Book 914, Page 535 Uintah County, Utah

DESCRIPTION OF LEASED PREMISES:

TOWNSHIP 12 SOUTH, RANGE 20 EAST, S.L.M.

Section 21:	All (640.00 acres)	Serial Number: 10:079:0001
Section 22:	All (640.00 acres)	Serial Number: 10:080:0001
Section 23:	All (640.00 acres)	Serial Number: 10:081:0001
Section 24:	W/2 (320.00 acres)	Serial Number: 10:082:0001
Section 25:	W/2 (320.00 acres)	Serial Number: 10:083:0001
Section 26:	All (640.00 acres)	Serial Number: 10:084:0001
Section 27:	All (640.00 acres)	Serial Number: 10:085:0001
Section 28:	All (640.00 acres)	Serial Number: 10:086:0001
Section 29:	All (640.00 acres)	Serial Number: 10:087:0001
Section 35:	All (640.00 acres)	Serial Number: 10:089:0001

TOWNSHIP 12 SOUTH, RANGE 21 EAST, S.L.M.

Section 31:	Lots 3, 4, E/2SW/4 (SW/4) (149.66 acres)	Serial Number: 10:093:0002
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TOWNSHIP 13 SOUTH, RANGE 20 EAST, S.L.M.

Section 1:	Lots 1,2,3,4, S/2N/2, S/2 (All) (640.24 acres)	Serial Number: 11:004:0001
Section 3:	Lots 1,2,3,4, S/2N/2, S/2 (All) (641.80 acres)	Serial Number: 11:005:0001
Section 4:	Lots 1,2,3,4, S/2N/2, S/2 (All) (642.00 acres)	Serial Number: 11:006:0001
Section 5:	Lots 1,2,3,4, S/2N/2, S/2 (All) (641.40 acres)	Serial Number: 11:007:0001
Section 6:	Lots 1,2,3,8,10,11,13, S/2 NE/4, SE/4NW/4, E/2SW/4, SE/4 (585.52 acres)	Serial Number: 11:008:0001
Section 7:	Lots 2,3,4,5, E/2W/2, E/2 (All) (636.15 acres)	Serial Number: 11:009:0001
Section 8:	All (640 acres)	Serial Number: 11:010:0001
Section 9:	All (640 acres)	Serial Number: 11:011:0001
Section 10:	All (640 acres)	Serial Number: 11:012:0001
Section 11:	All (640 acres)	Serial Number: 11:013:0001
Section 12:	All (640 acres)	Serial Number: 11:014:0001
Section 13:	All (640 acres)	Serial Number: 11:015:0001
Section 14:	All (640 acres)	Serial Number: 11:016:0001
Section 15:	E/2 (320 acres)	Serial Number: 11:017:0001
Section 22:	E/2 (320 acres)	Serial Number: 11:018:0001
Section 23:	All (640 acres)	Serial Number: 11:019:0001
Section 24:	All (640 acres)	Serial Number: 11:020:0001
Section 25:	All (640 acres)	Serial Number: 11:021:0001
Section 26:	All (640 acres)	Serial Number: 11:022:0001
Section 27:	NE/4 (160 acres)	Serial Number: 11:023:0001

TOWNSHIP 13 SOUTH, RANGE 21 EAST, S.L.M.

Section 6:	Lots 3,4,5,6,7, SE/4NW/4, E/2SW/4 (W/2) (299.60 acres)	Serial Number: 11:026:0002
Section 7:	Lots 1,2,3,4, E/2W/2 (W/2) (300.28 acres)	Serial Number: 11:027:0002
Section 18:	Lots 1,2,3,4, E/2W/2 (W/2) (301.64 acres)	Serial Number: 11:033:0001
Section 19:	Lots 1,2,3,4, E/2W/2 (W/2) (303.44 acres)	Serial Number: 11:034:0001
Section 30:	Lots 1,2,3,4, E/2W/2 (W/2) (304.80 acres)	Serial Number: 11:038:0001
Section 31:	Lots 1,2, E/2NW/4 (NW/4) (153.27 acres)	Serial Number: 11:039:0001

UINTAH COUNTY, UTAH
containing a total of 19,199.80 acres, more or less

UT10002.000

Uintah Oil Association Oil & Gas Lease

Dated September 15, 2004

Recorded Book 904, Page 1 Uintah County, Utah

Description of Leased Premises

Township 12 South, Range 21 East

Sec 31: SE/4

Sec 32: S/2

Township 13 South, Range 21 East

Sec 5: Lots 2,3,4, S/2NW/4, SW/4NE/4, SW/4, W/2SE/4

Sec 6: Lots 1,2, S/2NE/4, SE/4

Sec 7: E/2

Sec 8: W/2, W/2NE/4, NW/4SE/4

Uintah County, Utah

2,038.96 acres

UT10003.000

Utah Oil Shales, Inc. Oil & Gas Lease

Dated September 15, 2004

Recorded Book 904, Page 9 Uintah County, Utah

Description of Leased Premises

Township 13 South, Range 21 East

Sec 4: Lots 1,2,3,4, S/2N/2, S/2

Sec 5: Lot 1, SE/4NE/4, E/2SE/4

Sec 8: E/2E/2, SW/4SE/4

Sec 9: All

Sec 16: W/2

Sec 17: E/2

Uintah County, Utah

2,278.69 acres


AFFIDAVIT OF SURFACE OWNER USE AGREEMENT

Slate River Resources, LLC has in place, agreements with the surface owners of the following leases. Slate River Resources, LLC is the operator and makes this certification that the agreements provide for management of the Fee surface lands under development.

Eagle Minerals Ltd. Oil and Gas Lease

Uintah Oil Association Oil & Gas Lease

Utah Oil Shales, Inc. Oil & Gas Lease



J.T. Conley
VP Operations
Slate River Resources, LLC
418 East Main
Vernal, UT 84078
435-781-1871

Ten Point Plan

Slate River Resources, LLC

Mustang 1220-27K

Section 27, Township 12 South, Range 20 East, NE ¼ SW ¼

1. Surface Formation

Green River

2. Estimated Formation Tops and Datum:

<u>Formation</u>	<u>Depth</u>	<u>Datum</u>
Green River	Surface	5,898' G.R.
Wasatch	2280'	3,618'
Mesaverde	4780'	1,118'
Castlegate	6760'	-862'
Mancos	7400'	-1,502'
TD	8886'	-2,988'

A 12 ¼ hole will be drilled to 2,000' +/- . The hole depth will depend on the depth that the Birds Nest Zone is encountered. The hole will be drilled 400' beyond the top of the Birds Nest.

3. Producing Formation Depth:

Formation objective includes the Green River, Wasatch, Mesaverde and its sub-members.

Off Set Well information (Wells within a one-mile radius)

Drilling/Permitted:
Mustang #1220-22P

Abandon Well:
Byllesby #1
U S Lamco #1-27
27-2A

4. Proposed Casing:

<u>Hole Size</u>	<u>Casing Size</u>	<u>Weight/FT</u>	<u>Grade</u>	<u>Coupling & Tread</u>	<u>Casing Depth</u>	<u>New/Used</u>
12 ¼	9 5/8	32#	H-40	ST&C	2000	NEW
7 7/8	4 ½	11.6#	M-80	LT&C	T.D.	NEW

Cement Program:

The Surface Casing will be cemented to the Surface as follows:

	<u>Casing Size</u>	<u>Cement Type</u>	<u>Cement Amounts</u>	<u>Cement Yield</u>	<u>Cement Weight</u>
Lead:	9 5/8	Cement "V" Gel 16% Gilsonite 10#/sk Salt 3% BWOC GR-3 3#/sk Flocele ¼#/sk	200 sks +/-	3.82 ft³/sk	11.0 ppg
Tail:	9 5/8	Cement "G" Calcium Chloride 2% Flocele ¼ #/sks 5.0 gal/sks	100 sks. +/-	1.15 ft³/sk	15.8 ppg
Top Out:	9 5/8	Cement "G" Calcium Chloride 3%	100 sks +/-	1.15 ft³/sk	15.8 ppg

Note:

Top out with sufficient cement to bring cement to surface.

Production casing will be cemented to 2,000' or higher as follows:

	<u>Casing Size</u>	<u>Cement Type</u>	<u>Cement Amounts</u>	<u>Cement Yield</u>	<u>Cement Weight</u>
Lead:	4 1/2	Premium Cement 100% Gel 16% Salt 3% BWOC Gilsonite 10#/sk Flocele 1/4 #/sks GR-3 3#/sk	350 sks +/-	3.82ft ³ /sk	11.0 ppg
Tail:	4 1/2	Class "G" 50% POZ 50% Gel 2% Salt 10%BWOC Dispersant 0.4% Fluid loss 0.3% Flocele 1/4 #/sks	1000 sks +/-	1.25ft ³ /sk	14.2 ppg

Note:

Approximately 350 sks lead and 1000 sks tail will be pumped. Actual cement volumes will be calculated based on the borehole volume log plus excess to bring the cement to surface.

5. BOP and Pressure Containment Data:

The anticipated bottom hole pressure will be less than 3000 psi.
A 3000-psi WP BOP system as described in the BOP and Pressure Containment Data (attached) will be installed and maintained from the 9 5/8" surface casing. The BOP system including the casing will be pressure tested to minimum standards set forth in "On Shore Order #2". The BOP will be mechanically checked daily during the drilling operation.

6. Mud Program:

<u>Interval</u>	<u>Mud weight lbs./gal.</u>	<u>Viscosity Sec./OT.</u>	<u>Fluid Loss Ml/30 Mins.</u>	<u>Mud Type</u>
0-2000	Air/Mist	-----	No Control	Air/Air mist
2000-T.D.	8.4-12.0	30	8-10	Water/Gel

7. Auxiliary Equipment

Upper Kelly cock, full opening stabbing valve, 2 ½" choke manifold and pit level indicator.

8. Testing, Coring, Sampling and Logging:

- a) Test: None are anticipated.
- b) Coring: There is the possibility of sidewall coring.
- c) Sampling: Every 25' from 2000' to T.D.
- d) Logging:

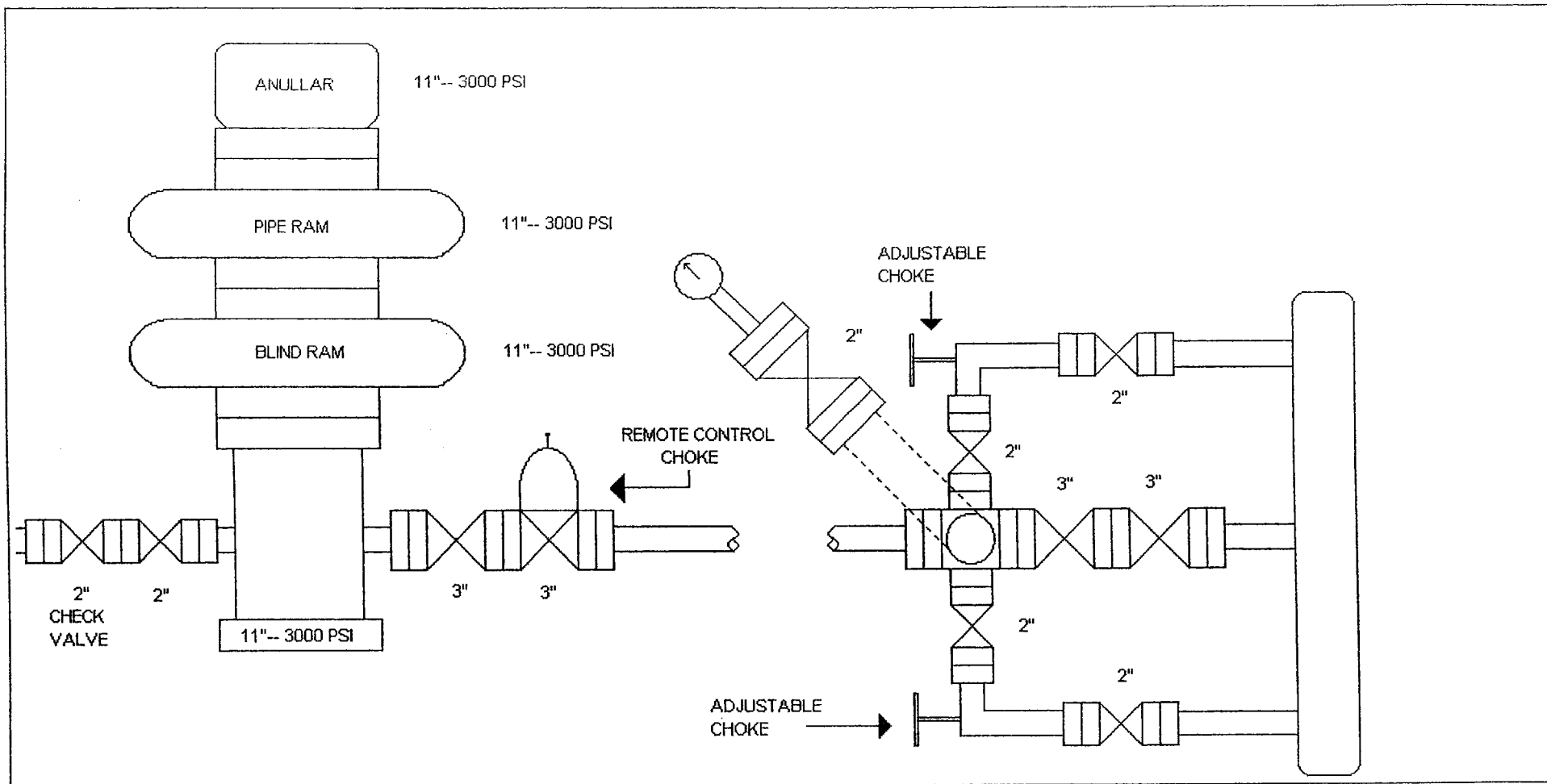
Type	Interval
DLL/SFL W/GR and SP	T.D. to Surf. Csg
FDC/CNL W/GR and CAL	T.D. to Surf. Csg

9. Abnormalities (including sour gas):

No abnormal pressures, temperatures or other hazards are anticipated. Oil and gas shows are anticipated in the Wasatch Formation. Other wells drilled in the area have not encountered over pressured zones or H₂S.

10. Drilling Schedule:

The anticipated starting date is June 1, 2006. Duration of operations is expected to be 30 days.



SLATE RIVER RESOURCES, LLC

13 POINT SURFACE USE PLAN

FOR WELL

MUSTANG 1220-27K

LOCATED IN NE $\frac{1}{4}$ SW $\frac{1}{4}$

SECTION 27, T12S, R20E, S.L.B.&M.

UINTAH COUNTY, UTAH

LEASE NUMBER: FEE

SURFACE OWNERSHIP: FEE

1. Existing Roads:
SLATE RIVER RESOURCES, LLC
Mustang 1220-27K
Section 27, T12S, R20E, S.L.B.&M.

PROCEED IN A WESTERLY DIRECTION FROM VERNAL, UTAH ALONG U.S. HIGHWAY 40 APPROXIMATELY 14 MILES TO THE JUNCTION OF STATE HIGHWAY 88; EXIT LEFT AND PROCEED IN A SOUTHERLY DIRECTION ALONG STATE HIGHWAY 88 APPROXIMATELY 17 MILES TO OURAY, UTAH; FROM OURAY, PROCEED IN A SOUTHERLY DIRECTION ALONG THE SEEP RIDGE ROAD (COUNTY B ROAD 2810) APPROXIMATELY 29.4 MILES TO ITS INTERSECTION WITH THE BUCK CANYON ROAD (COUNTY B ROAD 5460); EXIT RIGHT AND PROCEED IN A SOUTHWESTERLY DIRECTION ALONG THE BUCK CANYON ROAD APPROXIMATELY 3.2 MILES TO WILLOW CREEK; TURN RIGHT AND PROCEED IN A NORTHWESTERLY DIRECTION ALONG THE WILLOW CREEK ROAD (COUNTY B ROAD 5120) APPROXIMATELY 2.1 MILES TO ITS INTERSECTION WITH THE AGENCY DRAW ROAD (COUNTY B ROAD 5340); EXIT LEFT AND PROCEED IN A WESTERLY THEN SOUTHWESTERLY DIRECTION ALONG THE AGENCY DRAW ROAD APPROXIMATELY 4.5 MILES TO ITS INTERSECTION WITH THE J.P. MAN ROAD (COUNTY B ROAD 5440); EXIT RIGHT AND PROCEED IN A NORTHERLY DIRECTION ALONG THE J.P. MAN ROAD APPROXIMATELY 3.1 MILES TO ITS INTERSECTION WITH AN EXISTING ROAD TO THE NORTHEAST; CONTINUE IN A SOUTHWESTERLY DIRECTION ALONG THE J.P. MAN ROAD APPROXIMATELY 1.3 MILES TO ITS INTERSECTION WITH THE GREENS DRAW ROAD; CONTINUE IN A NORTHWESTERLY DIRECTION ALONG THE J.P. MAN ROAD APPROXIMATELY 1.6 MILES TO THE PROPOSED ACCESS ROAD; FOLLOW ROAD FLAGS IN AN EASTERLY DIRECTION APPROXIMATELY 270 FEET TO THE PROPOSED LOCATION.

TOTAL DISTANCE FROM VERNAL, UTAH TO THE PROPOSED WELL LOCATION IS APPROXIMATELY 76.3 MILES.

All existing roads to the proposed location are State of Utah, BLM maintained or County Class D roads. Please see the attached map for additional details.

2. Planned access road

The proposed access road will be approximately 270' of new construction on lease. The road will be graded once per year minimum and maintained.

A) Approximate length	270 ft
B) Right-of-Way width	30 ft
C) Running surface	18 ft
D) Surface material	Native soil
E) Maximum grade	8%
F) Fence crossing	None
G) Culvert	None
H) Turnouts	None
I) Major cuts and fills	None
J) Road Flagged	Yes
K) Access road surface ownership	Fee
L) All new construction on lease	Yes
M) Pipe line crossing	No

Please see the attached location plat for additional details.

An off lease Right-of-Way will not be required.

All surface disturbances for the road and location will be within the lease boundary.

3. Location of existing wells

The following wells are located within a one-mile radius of the location site.

A) Producing well	None
B) Water well	None
C) Abandoned well	
Byllesby #1	
US LAMCO 1-27	
27-2A	
D) Temp. abandoned well	None
E) Disposal well	None
F) Drilling /Permitted well	
Mustang 1220-22P	
G) Shut in wells	None
H) Injection well	None
I) Monitoring or observation well	None

Please see the attached map for additional details.

4. Location of tank batteries, production facilities and production gathering service lines.

All production facilities are to be contained within the proposed location site. Please see the attached plat plan for a typical gas well separator installation and well site piping.

All permanent (on site for more than six months or longer) structures constructed or installed will be painted a **Carlsbad Canyon or Olive Green** color. Facilities required to comply with O.S.H.A. (Occupational Safety and Health Act) will be excluded.

All tanks will be surrounded by a dike of sufficient capacity to contain the storage

capacity of the largest tank in the battery. The integrity of the dike will be maintained.

All off lease storage, off lease measurement, commingling on lease or off lease, of production, will have prior written approval from the authorized officer.

If the well is capable of economic production a surface gas line will be required.

Approximately 22,760' +/- of 3" steel surface pipeline would be constructed on Private Lands. The line would tie into the proposed pipeline in Section 27, T12S, R20E. The line will be strung and boomed to the North then East then South of the location. The line will follow access roads and will be buried at road crossings.

An off lease Right-of-Way will not required.

Please see the attached location diagrams for pipeline location. There will be no additional surface disturbances required for the installation of a gathering line.

The gas meter run will be located within 500' of the wellhead. The gas line will be buried or anchored down from the wellhead to the meter. Meter runs will be housed and/or fenced.

The gas meter will be calibrated and the tank strapped in place prior to any deliveries. Tests for meter accuracy will be conducted monthly for the first three months on new meter installations and at least quarterly thereafter. The

authorized officer will be provided with a date and time for the initial meter calibration and all future meter-proving schedules. A copy of the meter calibration report will be submitted to State of Utah, Division of Oil, Gas, and Mining. All measurement facilities will conform to API (American Petroleum Institute) and AGA (American Gas Association) standards for gas and liquid hydrocarbon measurement.

5. Location and type of water supply

Water for drilling and cementing will come from Willow Creek Permit # - T75377.

6. Source of construction materials

All construction material for this location site and access road shall be borrow material accumulated during construction of the location site and access road. Additional road gravel or pit lining material will be obtained from private resources.

7. Methods for handling waste disposal

A) Pit construction and liners:

The reserve pit will be approximately **10 ft.** deep and most of the depth shall be below the surface of the existing ground. Please see the attached plat for details. The reserve pit will be lined. The reserve pit will be used to store water for drilling. A semi-closed system will be used to drill the well. All fresh water for drilling will come

from a frac tank placed on location and from the rig tank. The pit will be used to hold non-flammable materials such as cuttings, salt, drilling fluids, chemicals, produced fluids, etc.

B) Produced fluids:

Produced water will be confined to the reserve pit or, if deemed necessary, storage tank for a period not to exceed 120 days after initial production. During the 120-day period an application for approval for permanent disposal method and location will be submitted to the authorized officer.

C) Garbage:

A trash cage fabricated from expanded metal will be used to hold trash on location and will be removed to an authorized landfill location.

D) Sewage:

A portable chemical toilet will be supplied for human waste.

E) Site clean-up:

After the rig is moved off the location the well site area will be cleaned and all refuse removed.

8. Ancillary facilities

There are no ancillary facilities planned at this time and none are foreseen for the future.

9. Well-site layout

Location dimensions are as follows:

A) Pad length	340 ft
B) Pad width	270 ft
C) Pit depth	10 ft
D) Pit length	160 ft
E) Pit width	80 ft
F) Max cut	20.1 ft
G) Max fill	11.1 ft
H) Total cut yds.	10,170 cu yds
I) Pit location	West end
J) Top soil location	East & South ends
K) Access road location	Southwest end
L) Flare Pit	corner C

Please see the attached location diagram for additional details.

All pits will be fenced according to the following minimum standards:

- A) Thirty nine inch net wire shall be used with at least one strand of wire on top of the net wire. Barbed wire is not necessary if pipe or some type of reinforcement rod is attached to the top of the entire fence.
- B) The net wire shall be no more than 2 inches above the ground. The barbed wire shall be 3 inches above the net wire. Total height of the fence shall be at least 42 inches.
- C) Corner posts shall be cemented and/or braced in such a manner to keep the fence tight at all times.

D) Standard steel, wood or pipe posts shall be used between the corner braces. Maximum distance between any two posts shall be no greater than 16 ft.

E) All wire shall be stretched by using a stretching device before it is attached to the corner posts.

10. Plans for restoration of the surface

Prior to construction of the location, the top 6 inches of soil material will be stripped off the location and the pit area. The topsoil removed and piled will amount to approximately **1,490** cubic yards of material. Topsoil will be stockpiled in one distinct pile. Placement of the topsoil is noted on the attached location plat. The topsoil pile from the location will be seeded as soon as the soil is stock piled with the seed mix listed. When all drilling and completion activities have been completed and the pit back-filled the topsoil from the pit area will be spread on the pit area. The pit area will be seeded when the soil has been spread. The unused portion of the location (the area outside the dead men) will be re-contoured.

The dirt contractor will be provided with an approved copy of the surface use plan prior to construction activities.

Changes to the drainage during the construction activities shall be restored to its original line of flow or as near as possible when the pit is back-filled

All disturbed areas will be re-contoured to the approximate natural contours.

Prior to back filling the pit the fences around the reserve pit will be removed.

The reserve pit will be reclaimed within 120 days of well completion. If the reserve pit has not dried sufficiently to allow back filling, an extension on the time requirement for back filling the pit will be requested. Once reclamation activities have begun, they shall be completed within 30 days.

After the reserve pit has been reclaimed, no depressions in the soil covering the reserve pit will be allowed. The objective is to keep seasonal rainfall and run off from seeping into the soil used to cover the reserve pit. Diversion ditches and water bars will be used to divert the run off as needed.

When restoration activities have been completed, the location site and new access road cuts and shoulders shall be reseeded. Prior to reseeding, all disturbed areas will be scarified. And left with a rough surface.

A) Seeding dates:

Seed will be spread when topsoil is stock piled and when reclamation work is performed.

The seed mix and quantity list will be used whether the seed is broadcast or drilled.

B) Seed Mix

To be determined by surface owner or will reflect the native vegetation.

11. Surface ownership:

Access road	Fee
Location	Fee
Pipe line	Fee

12. Other information:

A) Vegetation

The vegetation coverage is Slight. The majority of the existing vegetation consists of Sagebrush. Rabbit brush, Bitter Brush, and Indian Rice grass are also found on the location.

B) Dwellings:

There are no dwelling or other facilities within a one-mile radius of the location.

C) Archeology:

If, during operations, any archaeological or historical sites, or any objects of antiquity (subject to the antiquities act of June 8, 1906) are discovered, all operations, which would affect such sites, will be suspended and the discovery reported promptly to the surface owner.

D) Water:

The nearest water is Willow Creek located approximately 3.5 miles to the East.

E) Chemicals:

No pesticides, herbicides or other possible hazardous chemicals will be used without prior application.

location. All fluids will be removed from the pit within 48 hours of occurrence.

F) Notification:

- a) Location Construction
At least forty eight (48) hours prior to construction of location and access roads.
- b) Location completion
Prior to moving on the drilling rig.
- c) Spud notice
At least twenty-four (24) hours prior to spudding the well.
- d) Casing string and cementing
At least twenty-four (24) hours prior to running casing and cementing all casing strings.
- e) BOP and related equipment tests
At least twenty-four (24) hours prior to initial pressure tests.
- f) First production notice
Within five (5) business days after the new well begins, or production resumes after well has been off production for more than 90 days.

13. Lessees or Operator's representative and certification

A) Representative(s)

JT Conley
Slate River Resources, LLC
418 East Main ST
Vernal, UT 84078

Office 435-781-1871
Fax 435-781-1875

Ginger P Stringham, Agent
Paradigm Consulting, INC
PO BOX 790203
Vernal, UT 84079

Office 435-789-4162
Cell 435-790-4163

All lease and/or unit operations will be conducted in such a manner that full compliance is made with all applicable laws, regulations, onshore oil and gas orders, and any applicable notices to lessees. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished to the field representative to ensure compliance.

G) Flare pit:

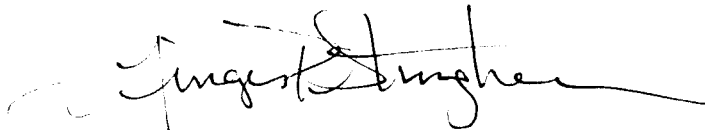
The flare pit will be located in **corner C** of the reserve pit out side the pit fences and 100 feet from the bore hole on the east side of the

This drilling permit will be valid for a period of one year from the date of approval. After permit termination, a new application will be filed for approval for any future operations.

B) Certification:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill-site and access route that I am familiar with the conditions which presently exist, that the statements made in this plan are, to the best of my knowledge and belief, true and correct, and that the work associated with the operation proposed herein will be performed by Slate River Resources, LLC and its contractors and subcontractors in conformity with this plan and terms and conditions with this plan and the terms and conditions under which it is approved.

Date 3/31/06

A handwritten signature in black ink, appearing to read "Ginger P Stringham", with a long horizontal flourish extending to the right.

Ginger P Stringham, Agent
Paradigm Consulting, INC

Onsite Dates:

Statement of use of Hazardous Materials

No chemical(s) from the EPA's consolidated list of Chemicals Subject to Reporting under Title III of the Superfund Amendments and Reauthorization, Act (SARA) of 1986 will be used, produced, transported, stored, disposed, or associated with the proposed action. No extremely hazardous substances, as defined in 40 cfr 355, will be used, produced, stored, transported, disposed, or associated with the proposed action.

If you require additional information please contact:

Ginger Stringham
Agent for Slate River Resources, LLC
Paradigm Consulting, INC
PO BOX 790203
Vernal, UT 84079

435-790-4163 Office
435-789-0255 Fax

Mustang

c/o David Salter

13439 Broadway Extension

Oklahoma City, OK 73114-2202

405-748-9464

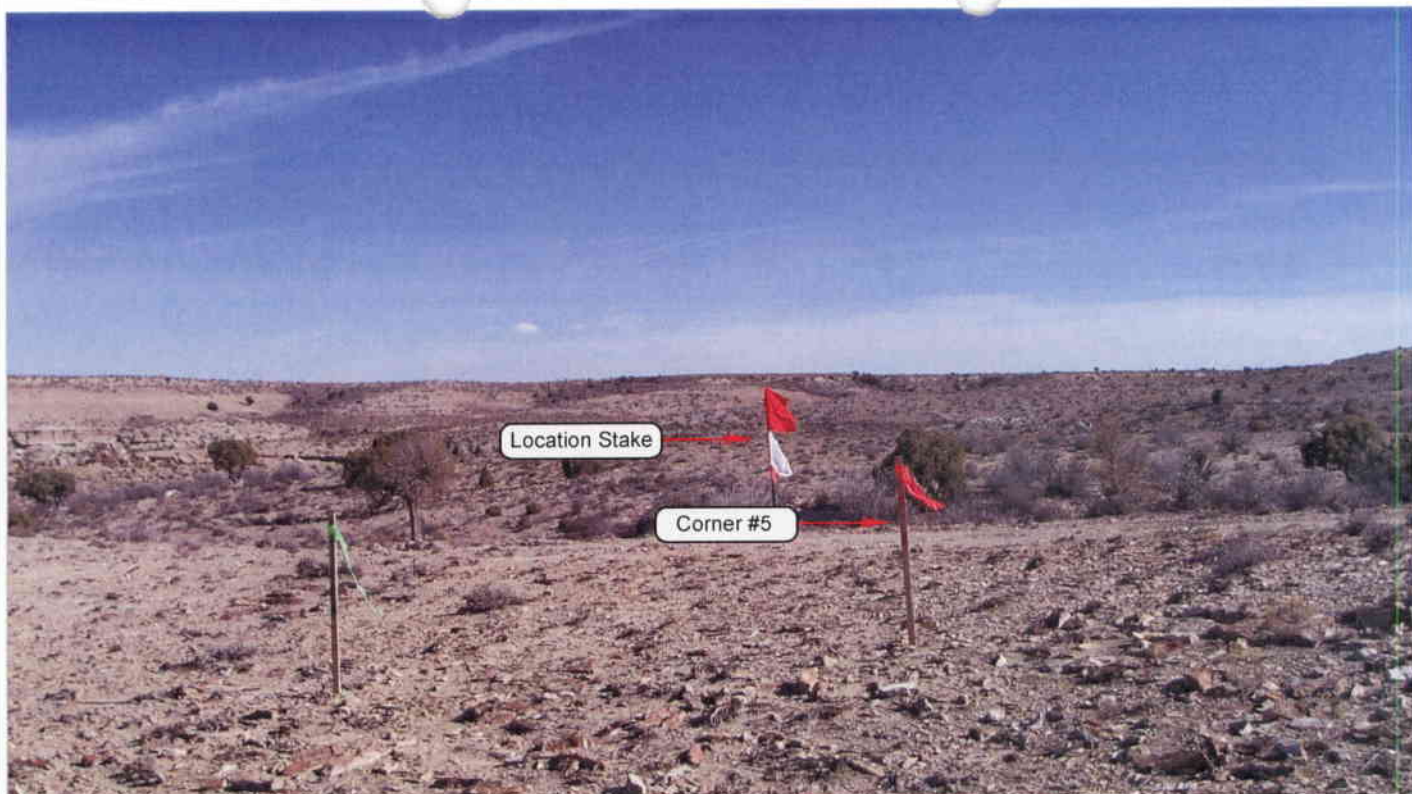


PHOTO VIEW: FROM CORNER #5 TO LOCATION STAKE

CAMERA ANGLE: SOUTHEASTERLY

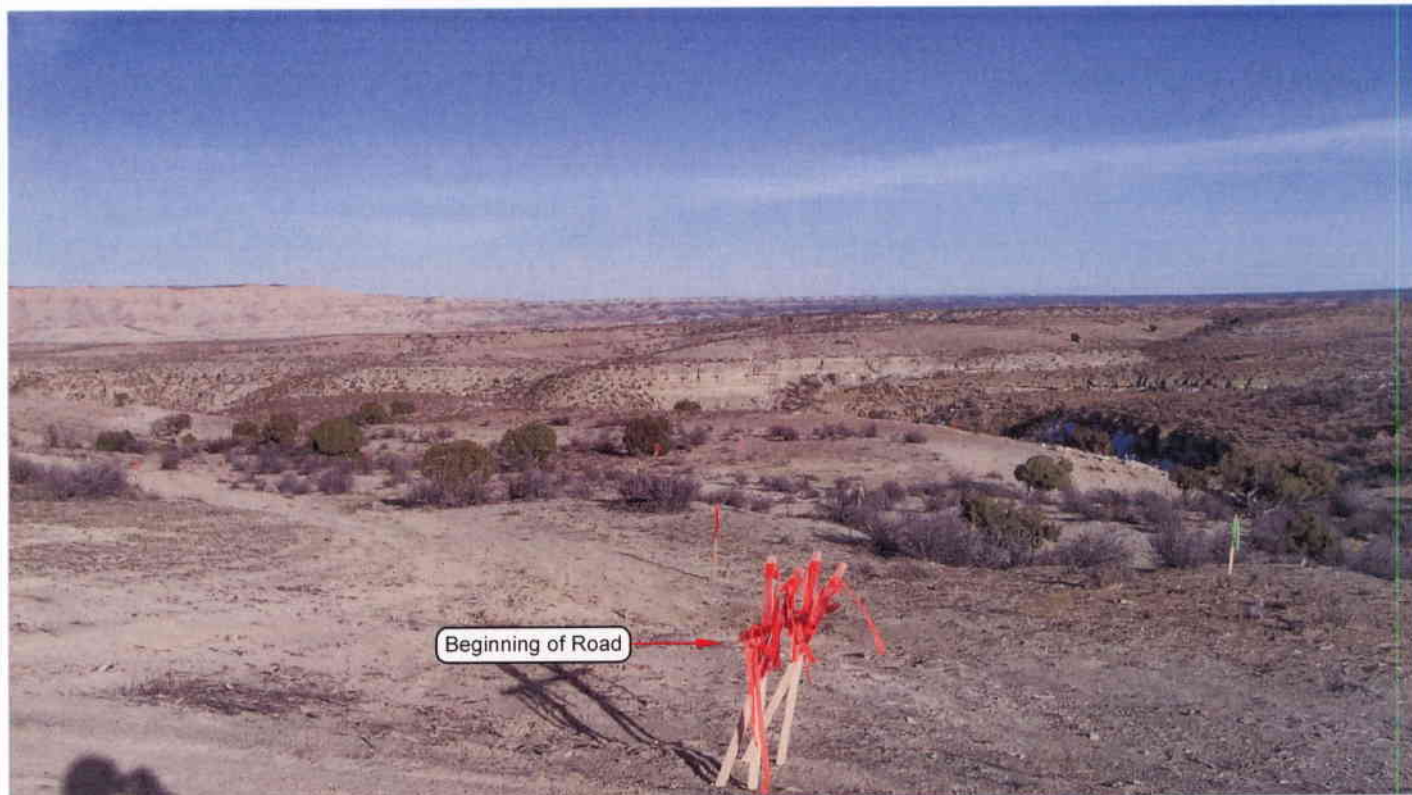


PHOTO VIEW: FROM BEGINNING OF PROPOSED ROAD

CAMERA ANGLE: EASTERLY

SLATE RIVER RESOURCES, LLC

Mustang 1220-27K
SECTION 27, T12S, R20E, S.L.B.&M.
2062' FSL & 1885' FWL

LOCATION PHOTOS

TAKEN BY: K.R.K.

DRAWN BY: B.J.Z.

DATE TAKEN: 03-23-06

DATE DRAWN: 03-29-06

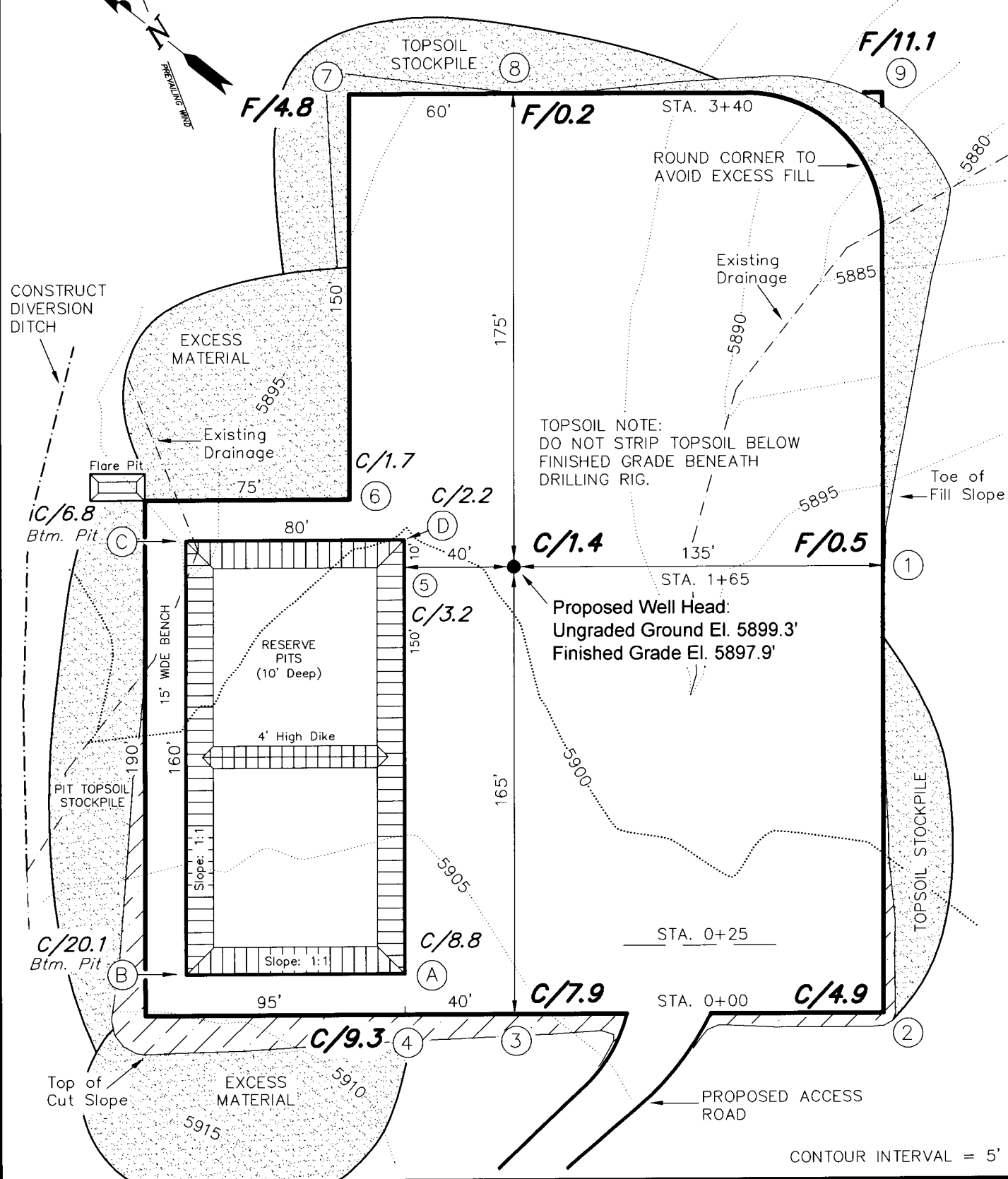
REVISED:

Timberline Land Surveying, Inc.
 38 West 100 North Vernal, Utah 84078
 (435) 789-1365

SHEET
1
OF 10

SLATE RIVER RESOURCES, LLC

CUT SHEET MUSTANG 1220-27K

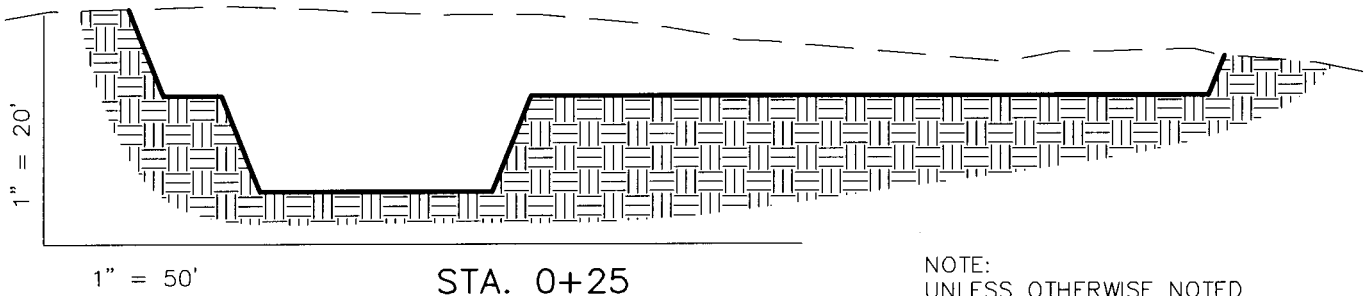
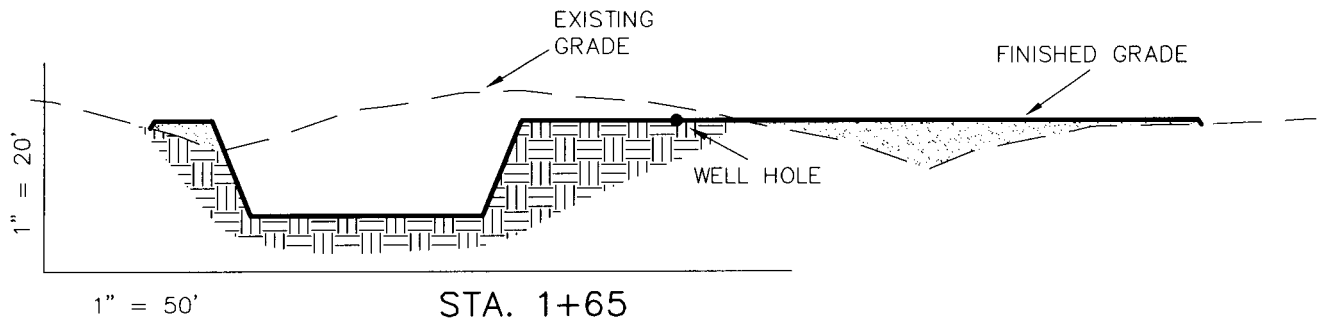
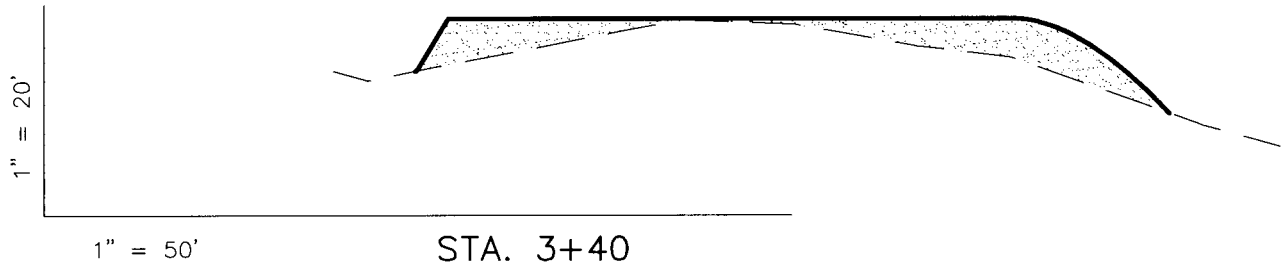


CONTOUR INTERVAL = 5'

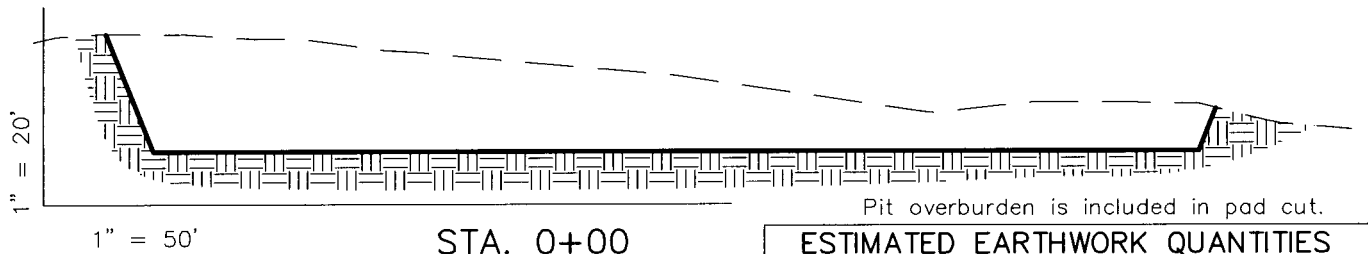
Section 27, T12S, R20E, S.L.B.&M.		Qtr/Qtr Location: NE SW	Footage Location: 2062' FSL & 1885' FWL
Date Surveyed: 03-23-06	Date Drawn: 03-28-06	Date Last Revision:	Timberline (435) 789-1365
Surveyed By: K.R.K..	Drawn By: M.W.W.	Scale: 1" = 50'	Land Surveying, Inc.
			38 WEST 100 NORTH VERNAL, UTAH 84078
			SHEET 3 OF 10

SLATE RIVER RESOURCES, LLC

CROSS SECTIONS MUSTANG 1220-27K



NOTE:
UNLESS OTHERWISE NOTED
CUT SLOPES ARE AT 1:1
FILL SLOPES ARE AT 1.5:1



REFERENCE POINTS

225' NORTHEASTERLY = 5897.3'
275' NORTHEASTERLY = 5896.7'
185' SOUTHEASTERLY = 5898.5'
235' SOUTHEASTERLY = 5896.2'

ESTIMATED EARTHWORK QUANTITIES (No shrink or swell adjustments have been used) (Expressed in Cubic Yards)

ITEM	CUT	FILL	6" TOPSOIL	EXCESS
PAD	6,320	6,130	Topsoil is not included in Pad Cut	190
PIT	3,850	0		3,850
TOTALS	10,170	6,130	1,490	4,040

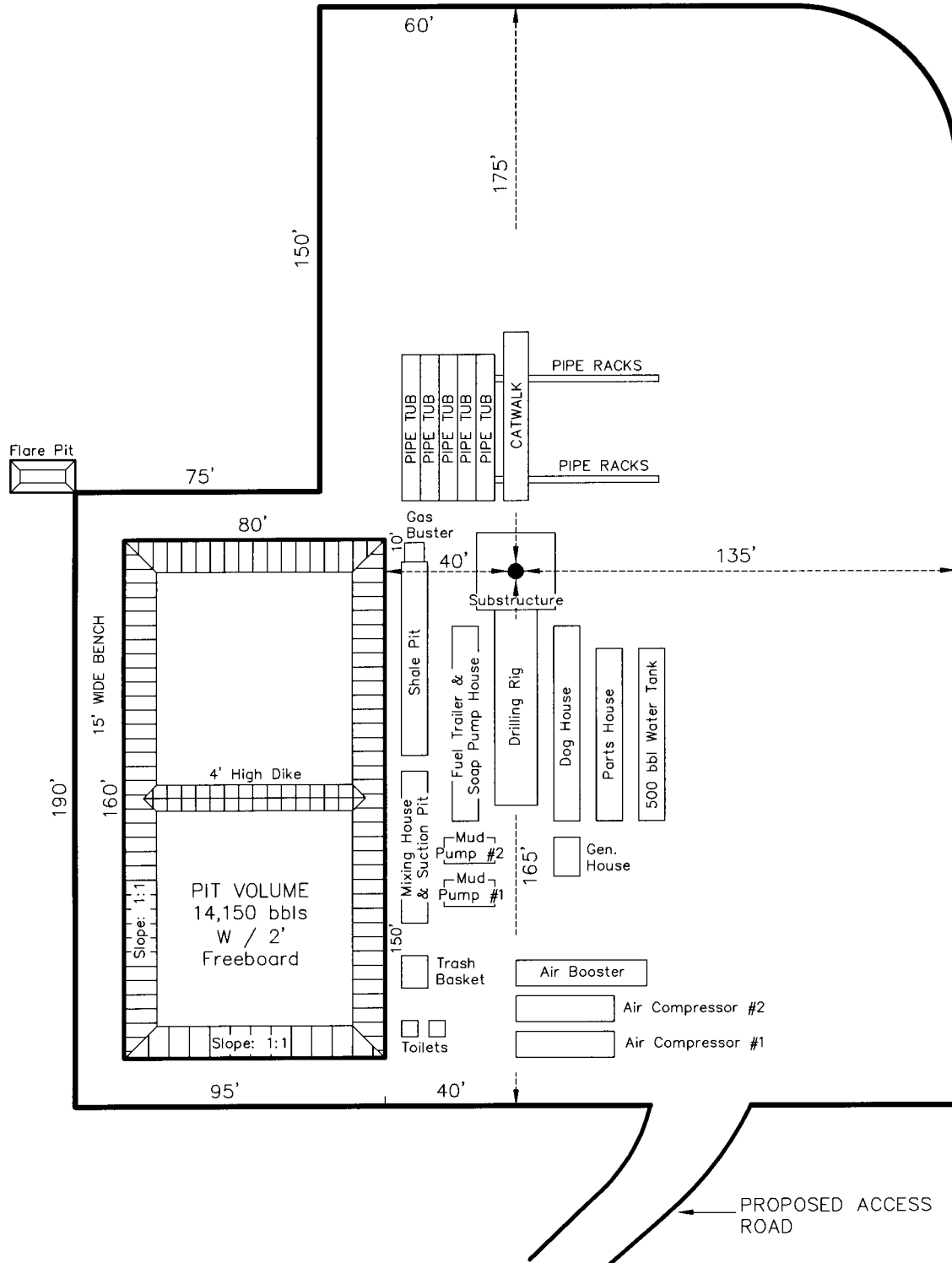
Excess Material after Pit Rehabilitation = 2,110 Cu. Yds.

Section 27, T12S, R20E, S.L.B.&M.		Qtr/Qtr Location: NE SW	Footage Location: 2062' FSL & 1885' FWL
Date Surveyed: 03-23-06	Date Drawn: 03-28-06	Date Last Revision:	Timberline (435) 789-1365 Land Surveying, Inc. 38 WEST 100 NORTH VERNAL, UTAH 84078
Surveyed By: K.R.K..	Drawn By: M.W.W.	Scale: 1" = 50'	

SHEET
4
OF 10

SLATE RIVER RESOURCES, LLC

TYPICAL RIG LAYOUT MUSTANG 1220-27K



Section 27, T12S, R20E, S.L.B.&M.

Qtr/Qtr Location: NE SW

Footage Location: 2062' FSL & 1885' FWL

Date Surveyed:
03-23-06

Date Drawn:
03-28-06

Date Last Revision:

Timberline (435) 789-1365
Land Surveying, Inc.

SHEET
5
OF 10

Surveyed By: K.R.K..

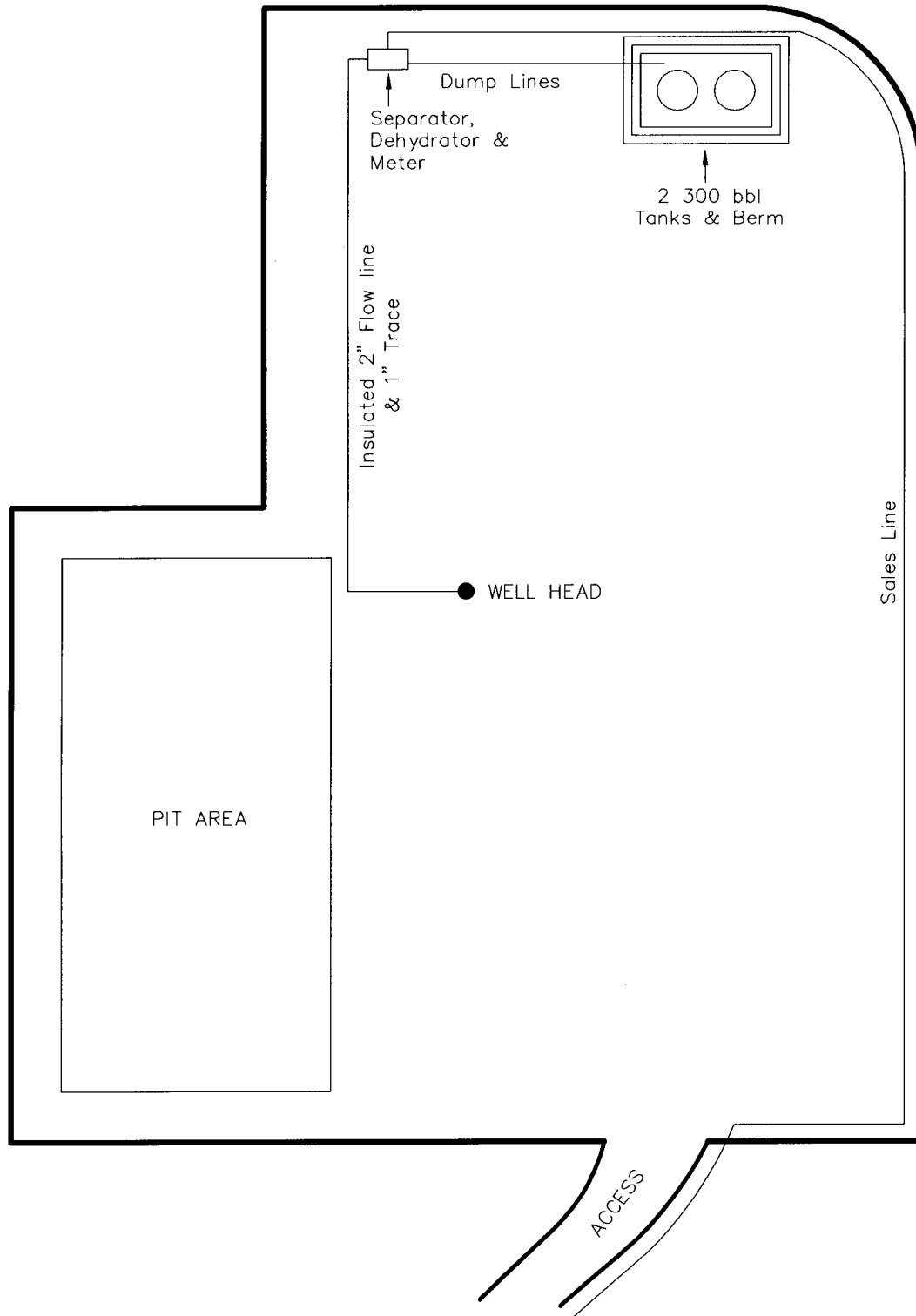
Drawn By: M.W.W.

Scale: 1" = 50'

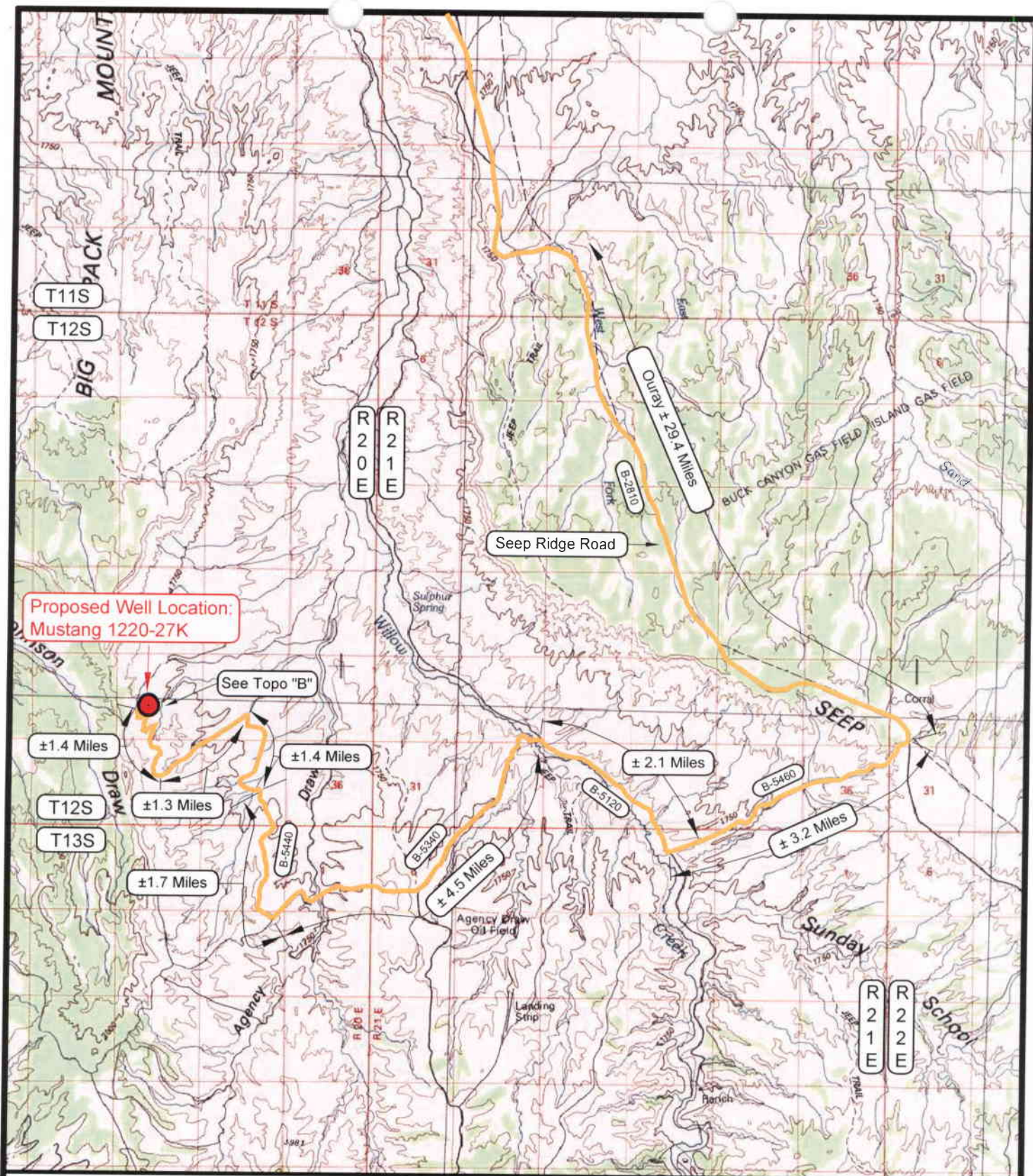
38 WEST 100 NORTH VERNAL, UTAH 84078

SLATE RIVER RESOURCES, LLC

TYPICAL PRODUCTION LAYOUT MUSTANG 1220-27K



Section 27, T12S, R20E, S.L.B.&M.		Qtr/Qtr Location: NE SW	Footage Location: 2062' FSL & 1885' FWL
Date Surveyed: 03-23-06	Date Drawn: 03-28-06	Date Last Revision:	Timberline (435) 789-1365
Surveyed By: K.R.K..	Drawn By: M.W.W.	Scale: 1" = 50'	Land Surveying, Inc.
38 WEST 100 NORTH VERNAL, UTAH 84078			SHEET 6 OF 10



LEGEND

PROPOSED ACCESS ROAD
 ■■■■ = SUBJECT WELL
 ■■■■ = OTHER WELLS
 — = EXISTING ROAD
 — = EXISTING ROAD (TO BE IMPROVED)

(B-5460) = COUNTY ROAD CLASS & NUMBER

TOPOGRAPHIC MAP "A"

SCALE: 1:100,000

DRAWN BY: B.J.Z.

DATE SURVEYED: 03-23-06

DATE DRAWN: 03-29-06

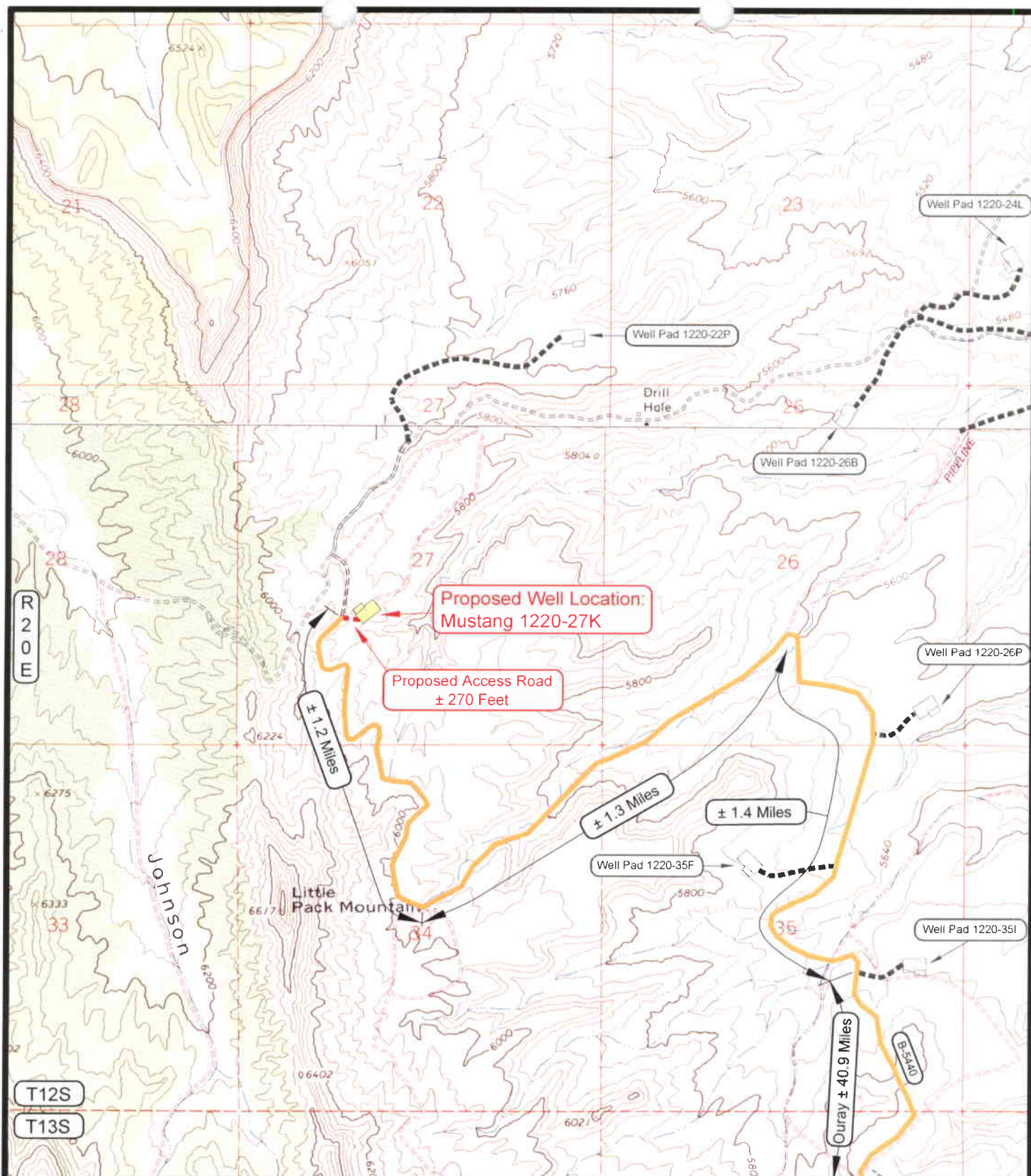
REVISED:

SLATE RIVER RESOURCES, LLC

Mustang 1220-27K
SECTION 27, T12S, R20E, S.L.B.&M.
2062' FSL & 1885' FWL

Timberline Land Surveying, Inc.
 38 West 100 North Vernal, Utah 84078
 (435) 789-1365

SHEET
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 OF 10



LEGEND

- PROPOSED ACCESS ROAD
- = SUBJECT WELL
- = SHARED ACCESS
- = EXISTING ROAD
- = EXISTING ROAD (TO BE IMPROVED)
- (B-5460) = COUNTY ROAD CLASS & NUMBER
- = LEASE LINE AND / OR PROPERTY LINE

TOPOGRAPHIC MAP "B"

SCALE: 1" = 2000'

DRAWN BY: BJ.Z.

DATE SURVEYED: 03-23-06

DATE DRAWN: 03-29-06

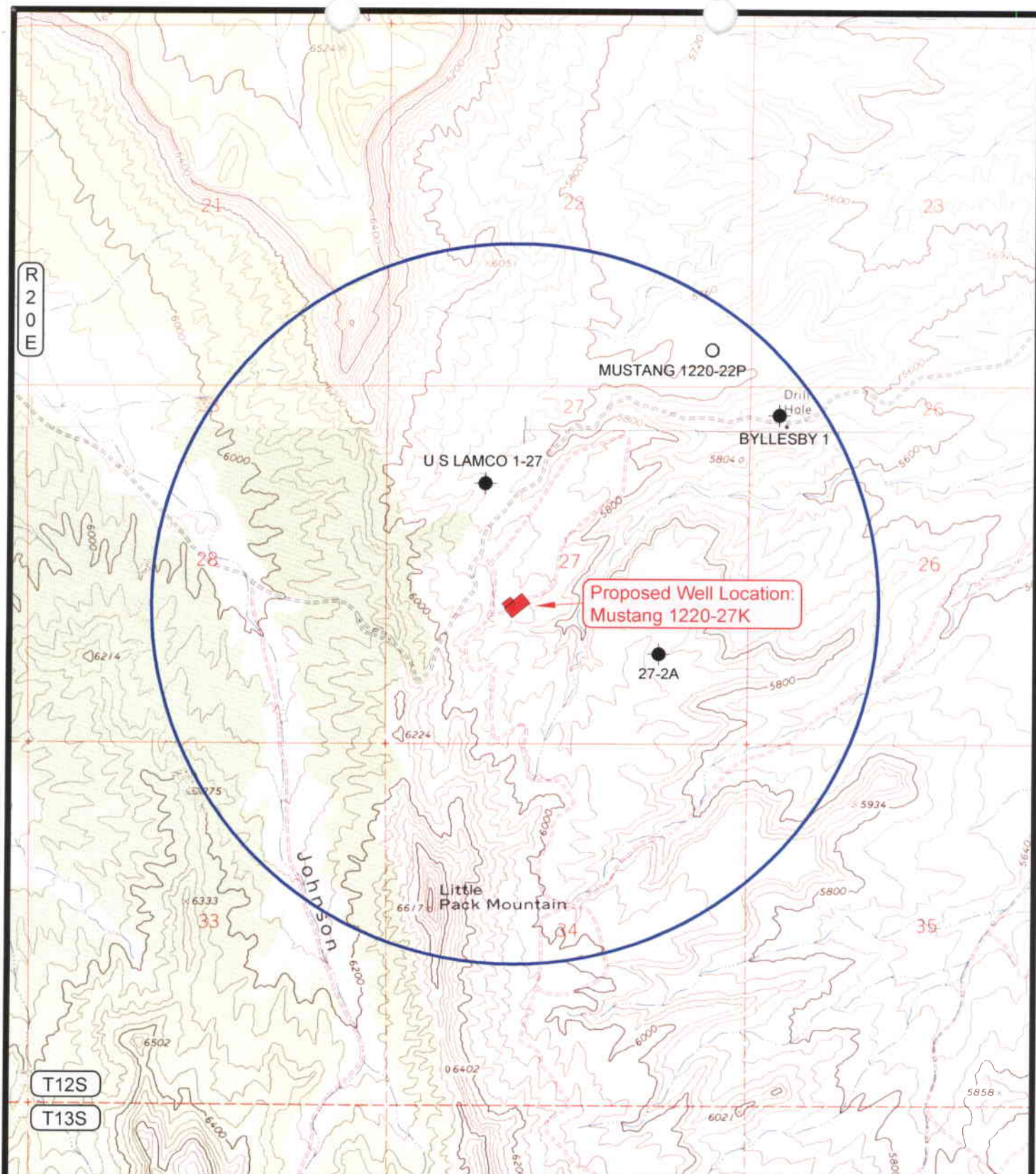
REVISED:

SLATE RIVER RESOURCES, LLC

Mustang 1220-27K
SECTION 27, T12S, R20E, S.L.B.&M.
2062' FSL & 1885' FWL

Timberline Land Surveying, Inc.
 38 West 100 North Vernal, Utah 84078
 (435) 789-1365

SHEET
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OF 10



LEGEND

- | | |
|--------------------|--------------------------------|
| ⊗ = DISPOSAL WELL | ⊗ = WATER WELL |
| ● = PRODUCING WELL | ● = ABANDONED WELL |
| ● = SHUT IN WELL | ● = TEMPORARILY ABANDONED WELL |
| ○ = PROPOSED WELL | ⊕ = ABANDONED LOCATION |

TOPOGRAPHIC MAP "C"

DATE SURVEYED: 03-23-06

DATE DRAWN: 03-29-06

SCALE: 1" = 2000'

DRAWN BY: M.W.W.

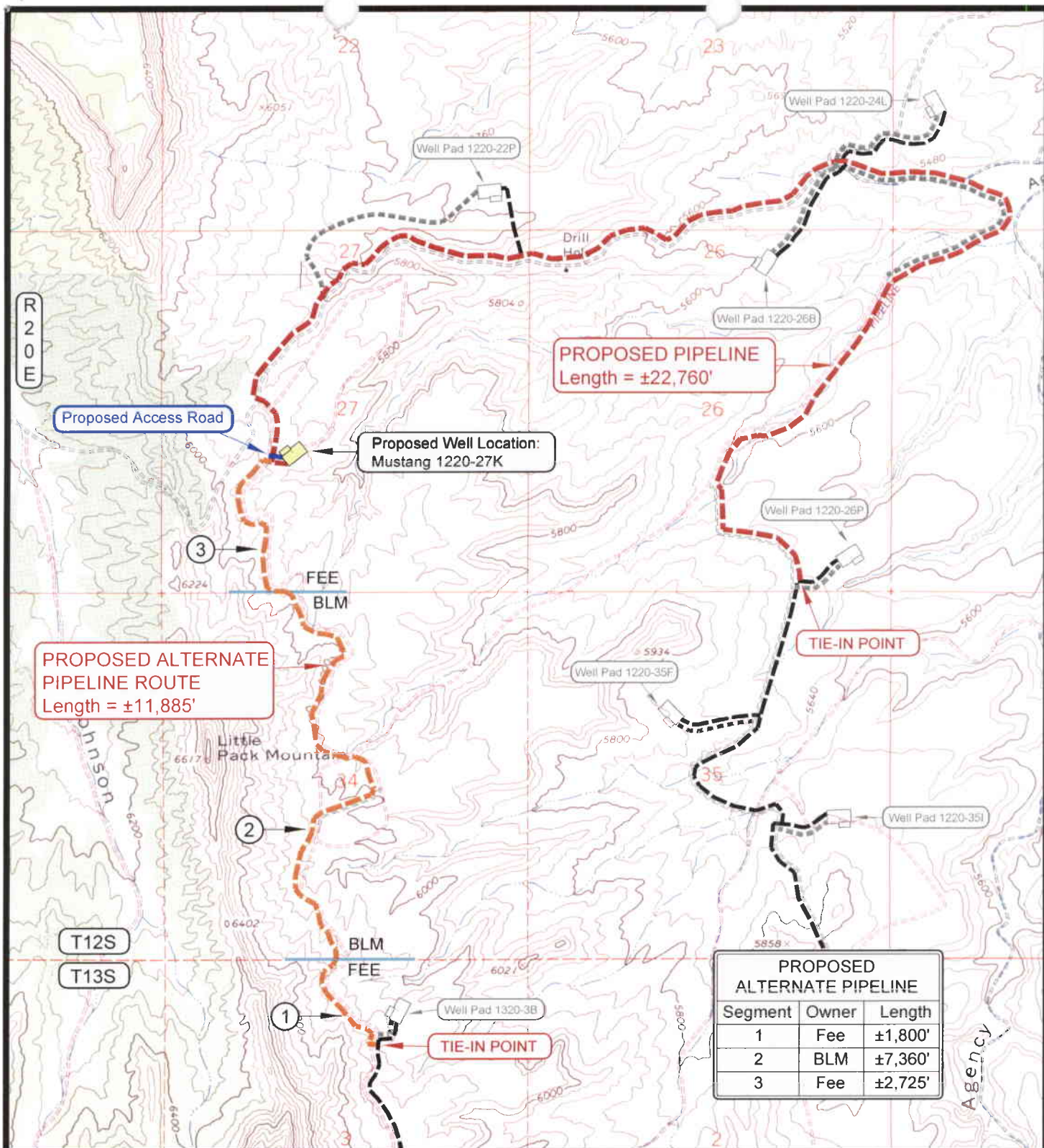
REVISED:

SLATE RIVER RESOURCES, LLC

Mustang 1220-27K
SECTION 27, T12S, R20E, S.L.B.&M.
2062' FSL & 1885' FWL

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SHEET
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OF 10



APPROXIMATE PIPELINE LENGTH = 22,760 Feet

SLATE RIVER RESOURCES, LLC

Mustang 1220-27K
SECTION 27, T12S, R20E, S.L.B.&M.
2062' FSL & 1885' FWL

Timberline Land Surveying, Inc.
38 West 100 North Vernal, Utah 84078
(435) 789-1365

SHEET
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OF 10

TOPOGRAPHIC MAP "D"

DATE SURVEYED: 03-23-06

DATE DRAWN: 03-29-06

SCALE: 1" = 1000'

DRAWN BY: M.W.W.

REVISED:

WORKSHEET
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 04/04/2006

API NO. ASSIGNED: 43-047-37977

WELL NAME: MUSTANG 1220-27K

OPERATOR: SLATE RIVER RESOURCES (N2725)

CONTACT: GINGER STRINGHAM

PHONE NUMBER: 435-781-1871

PROPOSED LOCATION:

NESW 27 120S 200E

SURFACE: 2062 FSL 1885 FWL

BOTTOM: 2062 FSL 1885 FWL

COUNTY: UINTAH

LATITUDE: 39.74297 LONGITUDE: -109.6670

UTM SURF EASTINGS: 614217 NORTHINGS: 4399870

FIELD NAME: WILDCAT (1)

INSPECT LOCATN BY: / /		
Tech Review	Initials	Date
Engineering	DAD	5/4/06
Geology		
Surface		

LEASE TYPE: 4 - Fee

LEASE NUMBER: FEE

SURFACE OWNER: 4 - Fee

PROPOSED FORMATION: MNCS

COALBED METHANE WELL? NO

RECEIVED AND/OR REVIEWED:

☒ Plat
☒ Bond: Fed[] Ind[] Sta[] Fee[]
(No. B001556)
☒ Potash (Y/N)
☒ Oil Shale 190-5 (B) or 190-3 or 190-13
☒ Water Permit
(No. T75377)
☒ RDCC Review (Y/N)
(Date:)
☒ Fee Surf Agreement (Y/N)
☒ Intent to Commingle (Y/N)

LOCATION AND SITING:

___ R649-2-3.

Unit: _____

___ R649-3-2. General

Siting: 460 From Qtr/Qtr & 920' Between Wells

___ R649-3-3. Exception

☒ Drilling Unit

Board Cause No: 207-2

Eff Date: 2-22-06

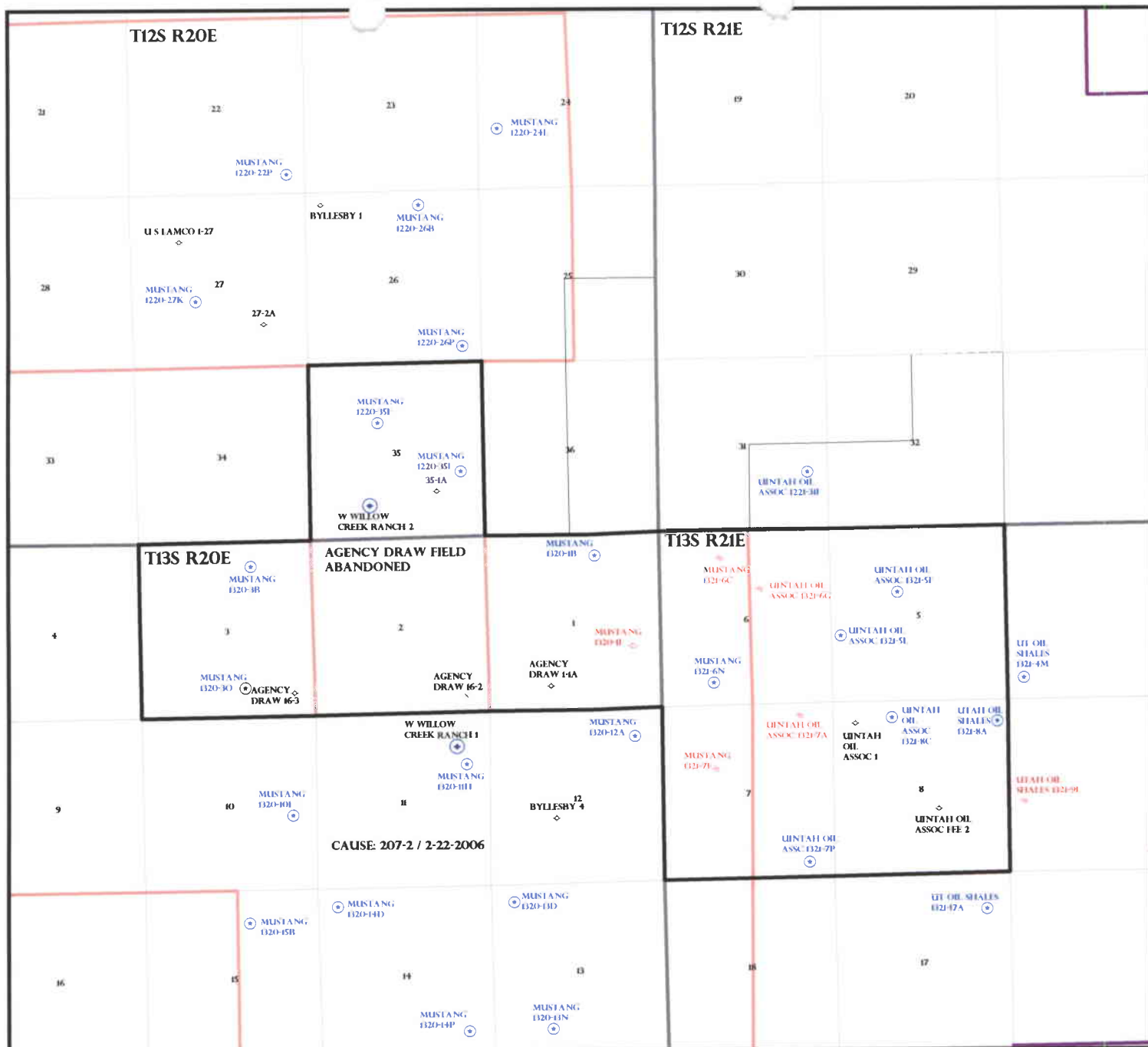
Siting: ~~460' from qtr/qtr & 920' between wells~~

___ R649-3-11. Directional Drill

COMMENTS: Needs Perm (04-18-06)

STIPULATIONS: 1 - STATEMENT OF BASIS

2 - Surface Cg Cont Stip



OPERATOR: SLATE RIVER RES LLC (N2725)

SEC: 22,24,26,27,35 T. 12S R. 20E

FIELD: WILDCAT (001)

COUNTY: UINTAH

CAUSE: 207-2 / 2-22-2006

Field Status

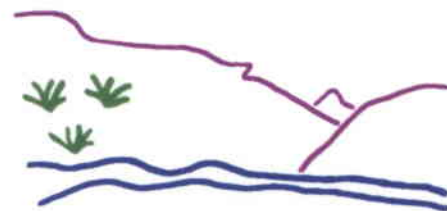
- ABANDONED
- ACTIVE
- COMBINED
- INACTIVE
- PROPOSED
- STORAGE
- TERMINATED

Unit Status

- EXPLORATORY
- GAS STORAGE
- NF PP OIL
- NF SECONDARY
- PENDING
- PI OIL
- PP GAS
- PP GEOTHERML
- PP OIL
- SECONDARY
- TERMINATED

Wells Status

- GAS INJECTION
- GAS STORAGE
- LOCATION ABANDONED
- NEW LOCATION
- PLUGGED & ABANDONED
- PRODUCING GAS
- PRODUCING OIL
- SHUT-IN GAS
- SHUT-IN OIL
- TEMP. ABANDONED
- TEST WELL
- WATER INJECTION
- WATER SUPPLY
- WATER DISPOSAL
- DRILLING



Utah Oil Gas and Mining



PREPARED BY: DIANA WHITNEY
DATE: 4-APRIL-2006

**DIVISION OF OIL, GAS AND MINING
APPLICATION FOR PERMIT TO DRILL
STATEMENT OF BASIS**

OPERATOR: Slate River Resources, LLC
WELL NAME & NUMBER: Mustang 1220-27K
API NUMBER: 43-047-37977
LOCATION: 1/4,1/4 NE/SW Sec: 27 TWP: 12S RNG: 20 E 2062' FSL 1885 FWL

Geology/Ground Water:

Slate River proposes to set 2,000' of surface casing at this location. The base of the moderately saline water is at approximately 3,400 feet in this area. This location lies on the Green River Formation. The proposed location is in a recharge area for the aquifers of the Green River Formation and fresh water can be expected to be found in the Green River. A search of Division of Water Rights records indicates no water wells within a 10,000 foot radius of the proposed location. The production casing cement should be brought up above the base of the moderately saline ground water to isolate it from fresher waters up hole. The proposed casing and cement program should adequately protect any useable ground water.

Reviewer: Brad Hill **Date:** 05-01-2006

Surface:

At the request of Slate River Resources, a pre-site for this well was completed on April 18, 2006. Both the surface and minerals are privately owned. Mr. David Salter represents the owner, Mustang-Eagle Minerals. He was contacted by phone on March 21, 2006 and informed of and invited to participate in the pre-site. He said the company has no specific concerns and he would not attend.

The area poses no problems for drilling a well.

Reviewer: Floyd Bartlett **Date:** 04/20/2006

Conditions of Approval/Application for Permit to Drill:

1. A synthetic liner with a minimum thickness of 12 mils with a felt sub-liner shall be properly installed and maintained in the reserve pit.

ON-SITE PREDRILL EVALUATION
Division of Oil, Gas and Mining

OPERATOR: Slate River Resources, LLC
WELL NAME & NUMBER: Mustang 1220-27K
API NUMBER: 43-047-37977
LEASE: FEE **FIELD/UNIT:** Agency Draw
LOCATION: 1/4, 1/4 NE/SW **Sec:** 27 **TWP:** 12S **RNG:** 20 E 2062' FSL 1885 FWL
LEGAL WELL SITING: 460 F **SEC. LINE;** 460 F **1/4, 1/4 LINE;** 920 F **ANOTHER WELL.**
GPS COORD (UTM): 4399878 Y 0614213 X **SURFACE OWNER:** Mustang-Eagle Oil

PARTICIPANTS

Floyd Bartlett (DOGM), John Conley, (Vice President Slate River LLC,) Ginger Stringham, (Permit Consultant), Gary Gerber (Stubbs and Stubbs Construction), Colby Kay (Timberline Land Surveying),

REGIONAL/SETTING TOPOGRAPHY

Site is in Uintah County, Utah in the Agency Draw area approximately 76 miles south east of Vernal, UT. The Willow Creek drainage lies to the east and Hill Creek drainage is to the west. The general topography is characterized by open broad to narrow ridges or plateaus intersected by numerous draws or canyons, which often become steep. Drainage is generally northeasterly into Willow Creek, which contains a perennial stream. All drainages in the Agency Draw area are ephemeral. No streams, springs or seeps are known to exist in the area.

Access to the site from Ouray, UT is following the Seep Ridge Road south 29.4 miles from Ouray, UT, then south west 3.2 miles down the Uintah Co. road B-5460 to Willow Cr, then northwest 2.1 miles along Willow Cr and Uintah Co. road B-5120 to the Agency Draw road then following the Agency Draw road 4.5 miles. Then north and west 4.4 miles on the JP Mann road. Then southwesterly 1.3 miles. Then northwesterly 1.2 miles on an existing road. From this point, a road 270 feet in length will be constructed to the well site.

This location is on a small rounded ridge top, which extends to the east from the main divide between Willow Creek and Hill Creek. Pack Mtn. is about one mile to the south west. Drainage is into Willow Creek. Topography is undulating and broken in area with several small draws. One drainage begins within the location and will be filled during construction of the pad. Drainage from above the location will be diverted south around the pad with a diversion ditch.

SURFACE USE PLAN

CURRENT SURFACE USE: Winter sheep grazing, limited big game hunting and general recreation.

PROPOSED SURFACE DISTURBANCE: Location of 340 x 195' and a reserve pit of 80' x 160' with an additional 15' wide bench. Approximately 270 feet of new road will be constructed.

LOCATION OF EXISTING WELLS WITHIN A 1 MILE RADIUS: See Topographic Map "C". Several other wells are planned as the field develops.

LOCATION OF PRODUCTION FACILITIES AND PIPELINES: All production facilities will be on location and added after drilling well. Two alternate pipelines are being considered. One 11,885 feet in length will require crossing BLM administered lands and the other 22,760 feet in length will not cross the BLM. Either would be laid along the access roads.

SOURCE OF CONSTRUCTION MATERIAL: All construction material will be obtained from the site.

ANCILLARY FACILITIES: None will be required.

WILL DRILLING AT THIS LOCATION GENERATE PUBLIC INTEREST CONCERNS? (EXPLAIN). No public concerns or interests are expected from drilling this well.

WASTE MANAGEMENT PLAN:

Drilled cuttings will be settled into reserve pit. Liquids from pit will be allowed to evaporate. Formation water will be confined to storage tanks. Commercial contractor will handle sewage facilities, storage and disposal. Trash will be contained in trash baskets and hauled to an approved landfill.

ENVIRONMENTAL PARAMETERS

AFFECTED FLOODPLAINS AND/OR WETLANDS: None.

FLORA/FAUNA: Mostly barren desert shrub type consisting of curl leaf mahogany, black sage, bud sage, festuca spp. And scattered juniper. Winter sheep grazing, wild horses, deer, elk, mountain lion, coyote and other small mammals and birds.

SOIL TYPE AND CHARACTERISTICS: Moderately deep light brown sandy clay loam. Frequent flat rectangular brown surface rock.

EROSION/SEDIMENTATION/STABILITY: Light current erosion. Sedimentation and stability are not a problem and location construction shouldn't cause an increase in stability or erosion problems.

PALEONTOLOGICAL POTENTIAL: None observed.

RESERVE PIT

CHARACTERISTICS: 80' x 160' x 10' deep, located on the southwest corner of the location. , The reserve pit is all within cut. A 15' wide bench is planned around the outer edges. Two feet of freeboard is provided.

LINER REQUIREMENTS (Site Ranking Form attached, : Level I sensitivity. A pit liner with a sub liner is required for the reserve pit. The operator stated they would line the pit with a at least a 16,mil liner and an appropriate sub-liner.

SURFACE RESTORATION/RECLAMATION PLAN

As per Land Owner Agreement.

SURFACE AGREEMENT:

A surface agreement has been executed and is on file.

ARCULTURAL RESOURCES/ARCHAEOLOGY: No Cultural or Archeological survey is required as per the Land Owner Agreement.

OTHER OBSERVATIONS/COMMENTS

None.

ATTACHMENTS

Photos of this site were taken and placed on file.

FLOYD BARTLETT
DOGM REPRESENTATIVE

April 18, 2006; 3:30 PM

DATE/TIME

**Evaluation Ranking Criteria and Ranking Score
For Reserve and Onsite Pit Liner Requirements**

<u>Site-Specific Factors</u>	<u>Ranking</u>	<u>Site Ranking</u>
Distance to Groundwater (feet)		
>200	0	
100 to 200	5	
75 to 100	10	
25 to 75	15	
<25 or recharge area	20	<u>0</u>
Distance to Surf. Water (feet)		
>1000	0	
300 to 1000	2	
200 to 300	10	
100 to 200	15	<u>0</u>
< 100	20	
Distance to Nearest Municipal Well (feet)		
>5280	0	
1320 to 5280	5	
500 to 1320	10	
<500	20	<u>0</u>
Distance to Other Wells (feet)		
>1320	0	
300 to 1320	10	
<300	20	<u>10</u>
Native Soil Type		
Low permeability	0	
Mod. permeability	10	
High permeability	20	<u>10</u>
Fluid Type		
Air/mist	0	
Fresh Water	5	
TDS >5000 and <10000	10	
TDS >10000 or Oil Base Mud Fluid	15	
containing significant levels of hazardous constituents	20	<u>5</u>
Drill Cuttings		
Normal Rock	0	
Salt or detrimental	10	<u>0</u>
Annual Precipitation (inches)		
<10	0	
10 to 20	5	
>20	10	<u>0</u>
Affected Populations		
<10	0	
10 to 30	6	
30 to 50	8	
>50	10	<u>0</u>
Presence of Nearby Utility Conduits		
Not Present	0	
Unknown	10	
Present	15	<u>0</u>

Final Score 25 (Level II Sensitivity)

Sensitivity Level I = 20 or more; total containment is required.

Sensitivity Level I = 15-19; lining is discretionary.

Sensitivity Level II = below 15; no specific lining is required.

05-06 Slate Mustang 1220-2 / K

Casing Schematic

Green River

Surface

TOC @ 0.

9-5/8"
MW 8.4
Frac 19.3

TOC @ 1207.

Surface
2000, MD
Discontinuity

1733 Toe Tail

✓ w/ 7% washout
A Surface stop

3400 B.M.S.

4780 Mesaverde

5175
Toe Tail

✓ w/ 15% washout

7400 Mancos

Production
8886. MD

BHP

$$(0.52)(11)(8886) = 5082$$

Anticipate 3000 psi
Water grad = 3848 psi

Gas

$$(0.12)(8886) = 1066$$

$$MASP = 4016$$

fluid

$$(0.22)(8886) = 1954$$

$$MASP = 3128 \text{ O.K.}$$

Bore - 3,000 ✓

Surf csg - 2270

$$70\% = 1584$$

Max pressure @ Surf csg shoe = 3567

Test to 1589# ✓

✓ Adequate DWD

5/4/06 4-1/2"
MW 11.

Well name:

05-06 Slate Mustang 1220-27KOperator: **Slate River Resources, LLC**String type: **Surface**

Project ID:

43-047-37977

Location: **Uintah County****Design parameters:****Collapse**Mud weight: 8.400 ppg
Design is based on evacuated pipe.**Minimum design factors:****Collapse:**

Design factor 1.125

Burst:

Design factor 1.00

Environment:H2S considered? No
Surface temperature: 75 °F
Bottom hole temperature: 103 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 1,500 ft

Cement top: Surface

BurstMax anticipated surface
pressure: 1,760 psi
Internal gradient: 0.120 psi/ft
Calculated BHP 2,000 psi

No backup mud specified.

Tension:8 Round STC: 1.80 (J)
8 Round LTC: 1.80 (J)
Buttress: 1.60 (J)
Premium: 1.50 (J)
Body yield: 1.50 (B)

Tension is based on buoyed weight.

Neutral point: 1,753 ft

Non-directional string.

Re subsequent strings:Next setting depth: 8,886 ft
Next mud weight: 11.000 ppg
Next setting BHP: 5,078 psi
Fracture mud wt: 19.250 ppg
Fracture depth: 2,000 ft
Injection pressure 2,000 psi

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft³)
1	2000	9.625	32.30	H-40	ST&C	2000	2000	8.876	126.8
Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	873	1370	1.570	2000	2270	1.14	57	254	4.49 J

Prepared by: Clinton Dworshak
Utah Div. of Oil & MiningPhone: 801-538-5280
FAX: 801-359-3940Date: May 2, 2006
Salt Lake City, Utah**Remarks:**

Collapse is based on a vertical depth of 2000 ft, a mud weight of 8.4 ppg. The casing is considered to be evacuated for collapse purposes. Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

Burst strength is not adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.

Well name:

05-06 Slate Mustang 1220-27KOperator: **Slate River Resources, LLC**String type: **Production**

Project ID:

43-047-37977

Location: **Uintah County****Design parameters:****Collapse**Mud weight: 11.000 ppg
Design is based on evacuated pipe.**Minimum design factors:****Collapse:**

Design factor 1.125

Burst:

Design factor 1.00

Environment:H2S considered? No
Surface temperature: 75 °F
Bottom hole temperature: 199 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 1,500 ft

Cement top: 1,207 ft

BurstMax anticipated surface
pressure: 2,000 psi
Internal gradient: 0.346 psi/ft
Calculated BHP 5,078 psi

No backup mud specified.

Tension:8 Round STC: 1.80 (J)
8 Round LTC: 1.80 (J)
Buttress: 1.60 (J)
Premium: 1.50 (J)
Body yield: 1.50 (B)

Non-directional string.

Tension is based on buoyed weight.

Neutral point: 7,425 ft

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft³)
1	8886	4.5	11.60	M-80	LT&C	8886	8886	3.875	206
Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	5078	6350	1.251	5078	7780	1.53	86	267	3.10 B

Prepared Clinton Dworshak
by: Utah Div. of Oil & MiningPhone: 801-538-5280
FAX: 801-359-3940Date: May 2, 2006
Salt Lake City, Utah**Remarks:**

Collapse is based on a vertical depth of 8886 ft, a mud weight of 11 ppg. The casing is considered to be evacuated for collapse purposes. Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

Burst strength is not adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.



State of Utah

**Department of
Natural Resources**

MICHAEL R. STYLER
Executive Director

**Division of
Oil, Gas & Mining**

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

May 4, 2006

Slate River Resource, LLC
418 E Main St.
Vernal, UT 84078

Re: Mustang 1220-27K Well, 2062' FSL, 1885' FWL, NE SW, Sec. 27,
T. 12 South, R. 20 East, Uintah County, Utah

Gentlemen:

Pursuant to the provisions and requirements of Utah Code Ann. § 40-6-1 *et seq.*, Utah Administrative Code R649-3-1 *et seq.*, and the attached Conditions of Approval, approval to drill the referenced well is granted.

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-047-37977.

Sincerely,

A handwritten signature in black ink, appearing to read "Gil Hunt".

Gil Hunt
Associate Director

pab
Enclosures

cc: Uintah County Assessor

Operator: Slate River Resource, LLC
Well Name & Number Mustang 1220-27K
API Number: 43-047-37977
Lease: Fee

Location: NE SW **Sec.** 27 **T.** 12 South **R.** 20 East

Conditions of Approval

1. **General**

Compliance with the requirements of Utah Admin. R. 649-1 *et seq.*, the Oil and Gas Conservation General Rules, and the applicable terms and provisions of the approved Application for Permit to Drill.

2. **Notification Requirements**

The operator is required to notify the Division of Oil, Gas and Mining of the following actions during drilling of this well:

- 24 hours prior to cementing or testing casing
- 24 hours prior to testing blowout prevention equipment
- 24 hours prior to spudding the well
- within 24 hours of any emergency changes made to the approved drilling program
- prior to commencing operations to plug and abandon the well

The following are Division of Oil, Gas and Mining contacts and their work telephone numbers (please leave a voice mail message if the person is not available to take the call):

- Dan Jarvis at (801) 538-5338
- Carol Daniels at (801) 538-5284 (spud)

3. **Reporting Requirements**

All required reports, forms and submittals will be promptly filed with the Division, including but not limited to the Entity Action Form (Form 6), Report of Water Encountered During Drilling (Form 7), Weekly Progress Reports for drilling and completion operations, and Sundry Notices and Reports on Wells requesting approval of change of plans or other operational actions.

4. Compliance with the Conditions of Approval/Application for Permit to Drill outlined in the Statement of Basis. (Copy Attached)

5. Surface casing shall be cemented to the surface.

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

CONFIDENTIAL

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL ☐ GAS WELL ☒ OTHER _____

2. NAME OF OPERATOR:
Slate River Resources, LLC

3. ADDRESS OF OPERATOR:
418 E. Main Ste 18 CITY Vernal STATE UT ZIP 84078

PHONE NUMBER:
(435) 781-1870

5. LEASE DESIGNATION AND SERIAL NUMBER:
FEE

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT or CA AGREEMENT NAME:

8. WELL NAME and NUMBER:
Mustang 1220-27K

9. API NUMBER:
4304737977

10. FIELD AND POOL, OR WILDCAT:
Wildcat

4. LOCATION OF WELL

FOOTAGES AT SURFACE: 2062' FSL 1885' FWL

COUNTY: Uintah

QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NESW 27 12S 20E

STATE: UTAH

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: 5/4/2007	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion:	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: APD Extension
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Slate River Resources, LLC requests a one year extension from 5/4/2007 to 5/4/2008 on the Application for Permit to Drill for the above referenced location due to expire 5/4/2007.

Approved by the
Utah Division of
Oil, Gas and Mining

Date: 03-29-07
By: [Signature]

3-30-07
RM

NAME (PLEASE PRINT) Lucy Nemec

TITLE Sr. Operations Specialist

SIGNATURE [Signature]

DATE 3/26/2007

(This space for State use only)

RECEIVED
MAR 28 2007

**Application for Permit to Drill
Request for Permit Extension
Validation**

(this form should accompany the Sundry Notice requesting permit extension)

API: 4304737977
Well Name: Mustang 1220-27K
Location: NESW Section 27 T12S-R20E
Company Permit Issued to: Slate River Resources, LLC
Date Original Permit Issued: 5/4/2007

The undersigned as owner with legal rights to drill on the property as permitted above, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision.

Following is a checklist of some items related to the application, which should be verified.

If located on private land, has the ownership changed, if so, has the surface agreement been updated? Yes ☐ No ☒

Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location? Yes ☐ No ☒

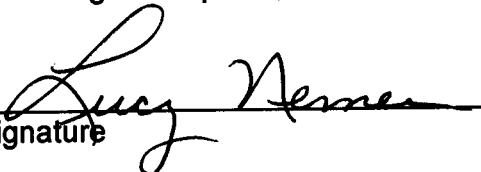
Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? Yes ☐ No ☒

Have there been any changes to the access route including ownership, or right-of-way, which could affect the proposed location? Yes ☐ No ☒

Has the approved source of water for drilling changed? Yes ☐ No ☒

Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? Yes ☐ No ☒

Is bonding still in place, which covers this proposed well? Yes ☒ No ☐


Signature

3/26/2007
Date

Title: Sr. Operations Specialist

Representing: Slate River Resources, LLC

RECEIVED

MAR 28 2007

DIV. OF OIL, GAS & MINING



JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil Gas and Mining

JOHN R. BAZA
Division Director

April 3, 2008

Lucy Nemec
Slate River Resources, LLC
418 East Main, Ste. 18
Vernal, UT 84078

43-047-37977

Re: APDs Rescinded at the request of Slate River Resources, LLC

Dear Ms. Nemec:

Enclosed find the list of APDs that you requested to be rescinded to Slate River Resources, LLC. No drilling activity at these locations has been reported to the division. Therefore, approval to drill these wells is hereby rescinded, effective April 3, 2008.

A new APD must be filed with this office for approval prior to the commencement of any future work on the subject locations.

If any previously unreported operations have been performed on this well location, it is imperative that you notify the Division immediately.

Sincerely,

Diana Mason
Environmental Scientist

cc: Well File
Brad Hill, Technical Services Manager



Mustang 1220-22P

Mustang 1220-24L

Mustang 1220-26B

Mustang 1220-26P

Mustang 1220-27K

Mustang 1220-35F

Mustang 1320-01B

Mustang 1320-03B

Mustang 1320-13N

Mustang 1320-15B

Mustang 1321-06N

Uintah Oil Assoc 1221-31I

Uintah Oil Assoc 1321-05L

Uintah Oil Assoc 1321-05F

— 43-047-37977